

Chase admits asking Peru to protect copper mine earnings

BY DAVID LASCELLES

NEW YORK, May 31

CHASE MANHATTAN BANK confirmed today that it sent a telex message to Peru earlier this month requesting a government decree to guarantee that earnings from the privately owned Cuajone copper mine would continue to be paid to the creditors and shareholders of the Southern Peru Copper Corporation, which operates the mine, not diverted to pay the country's debts.

But is described the message as part of a negotiating strategy on talks about a further \$534m loan for Cuajone, and stressed that there was no link between this loan and finance which the Peruvian Government is seeking to ease its balance of payments problems.

Delegation headed by the Peruvian Central Bank President, Sr. Manuel Moresy, arrived in New York last week to seek debt rescheduling from its U.S. and other creditors.

Chase also said it had sent the message as agent for the group of 23 banks in the Cuajone loan consortium, but added that this did not mean it was speaking on the consortium's behalf.

Cuajone, which lies some 500 miles southeast of Lima, is wholly owned by a group of U.S. companies headed by Asarco, and is largely financed by U.S. commercial banks and the Eximbank.

The project has already absorbed \$726m in finance, and requires the extra \$534m to complete the mining complex and purchase materials. Earnings from the project have, far more than a year, been sent via the Peruvian Central Bank to Chase Manhattan in New York for distribution to creditors and shareholders.

However, U.S. banks fear that the heavy debt of the Peruvian public sector estimated to total \$5.5bn might provoke the government to divert these earnings to its own account, or use them as collateral for further finance.

In earlier talks with Peruvian bank officials, including a previous president of the central bank, Chase and other U.S. banks suggested that a law guaranteeing the present system of payment should be a precondition for further finance for the project, and Chase subsequently sent the telex summing up their view of the meeting. Although the Peruvians at the meeting did not then take exception to the U.S. banks' demand, the telex provoked a sharp official response in Lima.

Chase was at pains today to make it clear that, although the telex said the decree was a precondition for further co-operation by U.S. banks on Peruvian finance, this referred strictly to finance for Cuajone, and had no bearing on finance for the balance of payments.

It was therefore wrong, a source said, to suggest that Chase was trying to bully the Peruvians. But the same source admitted that there was inevitably some rub-off between talks on finance for Cuajone and talks on debt rescheduling, because many banks were involved in both.

No-one here is willing to speculate what the Cuajone bank consortium would do if Peru refused to issue the requested decree. However, it is understood that Chase, as agent, would assess the situation and recommend a course of action to the other banks. But since, as Chase indicated today, the telex was more of a negotiating ploy than an outright demand, there may yet be room for compromise.

Meanwhile, there have been no developments in the debt rescheduling talks which started here last week. A source close to the talks said that the Peruvian delegation had been to Washington, and would hold further talks with New York bankers this week.

'Fuel saver' tyre backed

BY OUR OWN CORRESPONDENT

NEW YORK, May 31

THE U.S. Department of Transportation has found in favour of Goodyear Tyre and Rubber Company in its dispute with General Motors over the safety of a new elliptical tyre.

Goodyear unveiled the type a year ago, calling it the "gas-saver" which yields 30 more miles on a full tank of petrol. Since then the company has been waiting for the Department's National Highway Traffic Safety Administration to approve sale of the tyre. In the meantime General Motors made no secret of its anxieties about the safety of the tyre.

Goodyear is free to market the tyre from Monday and both Ford and Chrysler can go ahead with plans to offer it as an option on certain 1979 model cars.

Banks to sell new housing certificates

By John Wyles

NEW YORK, May 31

U.S. BANKS and savings institutions will be free tomorrow to start selling controversial, six-month savings certificates which are designed to increase funds available for house mortgages. But some economists fear that they could further push up short-term interest rates.

The new certificates were conceived by the federal banking regulators as a means of sheltering the housing sector of the economy from the impact of steadily tightening credit, which has pushed short-term interest rates to a three-year high. Flows of money into savings and loan associations, which provide mortgages, and mutual savings banks are 39 per cent lower this year than last, with the result that mortgage rates are rising and the rate of house building is threatened.

With their interest rates on short-term savings pegged at 5.6 per cent, savings associations have been unable to compete with money market instruments such as Treasury bills, and federal officials calculate that the new certificates could attract up to \$6bn in new funds.

Commercial banks will be able to sell the new instruments in minimum denominations of \$10,000 at the same rate as six-month Treasury bills, which were auctioned last week at 7.14 per cent, while savings institutions can offer them at a rate 1 per cent higher. However, some mortgage associations fear a movement of funds out of existing accounts and a corresponding increase in the cost of their money.

This, in turn, could push mortgage rates up from the level in April of 9.5 per cent. At the same time, some economists see broader implications, in that this attempt to protect the housing sector from the effects of higher short-term interest rates could make the economy less sensitive to tighter credit conditions and, as a result, force short-term rates to levels higher than would otherwise be the case.

U.S. COMPANY NEWS

BP and Caltex in Singapore venture: Jos. Schlitz lay-offs; U.S. Steel inquiry; Massey-Ferguson second quarter—Page 34

CALIFORNIA TAX REFORM

From mirage to mandate

BY MAURICE IRVINE IN SANTA MONICA, CALIFORNIA

MR. HOWARD JARVIS, a portly 75-year-old retired manufacturer and failed politician who vaguely resembles the late W. C. Fields, seems an unlikely candidate for assassination. But anonymous callers have warned him several times recently that he will be shot if Proposition 13—the draconian tax reform measure of which he is co-sponsor—passes in California's referendum on June 6.

Mr. Jarvis shrugs. "Listen," he says, "it isn't just the nuts who are out to destroy me. It's the whole liberal establishment. That's how I know I'm doing something right."

Proposition 13 is a citizens' initiative. Mr. Jarvis and his ally, Mr. Paul Gann, a 65-year-old retired estate agent, had little trouble collecting some 1.5m signatures for petitions placing the matter on the ballot. There is a growing legion of tax rebels in California, and their revolt is only one among a dozen gathering momentum in the U.S.

Proposition 13, also known as Jarvis-Gann, would roll back property taxes to 1 per cent of 1975-76 assessed value. In doing so, it would deny \$7bn in annual tax revenue to local governments and schools. The measure offers no suggestions as to how that loss might be made up.

How can the gap be bridged? The legislature threatens to increase sales, income, and other state taxes by 60 per cent or more. Bills to this effect are already in the works. The Governor, Mr. Jerry Brown, says that if the proposition passes and the State will not act as a sugar-daddy to local government. But in fact he will have been

the alternative but to support bills, and he admits that Proposition 13 would force him to introduce drastic economies every level of government.

California's state and local governments collect some \$40bn a year. Proposition 13 would cut property tax revenues in the coming fiscal year from an estimated \$12bn to \$4bn. But local government funds heavily on property taxes, which now stand at 3 per cent of assessed value, to pay for schools, fire, flood control, and essential services.

Property taxes are set by the local and collected by localities. Each county has its own assessed valuation, and assessed valuations in California are assessed faster than anywhere in the U.S., thanks largely to a 1971 law which requires the use of the latest sale price of a house in fixing values, but a neighbourhood.

Proposition 13 point out the taxpayers who will be the biggest break are not all homeowners, who own one-third of taxable property in the state. Two-thirds of the tax would benefit the best landowners, landlords, commercial-industrial property owners.

California has been thrown into a Jarvis-Fever: bumper stickers, billboards, TV commercials in the mill lead for yes or no to the public. In towns where the state signs have been set up by Mr. Brown to study

contingency plans to deal with any post-Jarvis crisis. Tens of thousands of teachers have received provisional dismissal notices. The huge Los Angeles school district reports that it would be forced to cut its staff of 60,000 by about two-thirds—18,500 teachers and 21,000 other employees. "Education as we know it in California would be destroyed," according to Mr. Wilson Riles, the state's schools chief.

Mayor Tom Bradley of Los Angeles talks of slashing \$200m

California was ripe for a tax revolt. A mixture of inflation and speculation has sent housing prices soaring. Homes which sold for \$50,000 three years ago now fetch \$150,000, resulting in property tax leaps of 100 per cent or more in a single year.

Yet the state treasury bulges with a \$4bn cash surplus. Mr. Brown tried to hand some of the surplus back through a \$1bn tax relief bill earlier this year. It was halted by the State Senate.

When it became clear that Jarvis-Gann had great popular support, the Brown administration threw its weight behind a rival scheme, sponsored by a State Senator, Mr. Peter Behr, and tied to another proposition on the ballot, No. 8. The Behr Bill would give property owners a 30 per cent tax cut, and make up some \$1.5bn in reduced property taxes from the State surplus. Professor Milton Friedman, the Nobel Prize-winning economist, who is speaking out strongly for Jarvis and made his first TV commercial on its behalf, calls the measure "Behr-faced fraud." Dr. Friedman says the Bill is so written that the legislature could find ways around it, and return to their old habits once the threat of Prop. 13 was gone. The foes of Prop. 13 responded by producing not one but two Nobel laureates of their own who oppose the Jarvis initiative.

How will California vote? Latest polls give Jarvis the edge at 42 per cent to 39 per cent. But Prop. 13 was passed, Mr. Brown's aides say it will be tied up in the courts for months, perhaps years, by legal challenges from public employee groups.

Proxmire to old NYC hearings

BY OUR OWN CORRESPONDENT

NEW YORK, May 31

NEW YORK City's struggle for financial survival takes the centre of the Congressional stage next week under the direction of Senator William Proxmire and before an audience of his Senate banking committee.

As chairman of the committee, Sen. Proxmire has scheduled four days of hearings next Tuesday and Wednesday and for the same two days the following week.

The committee was to have begun its investigation of the Carter Administration's proposal to provide \$2bn 15 year loan guarantees last week but the hearings were cancelled by the Wisconsin Senator when the city failed to line up the various elements of a complicated programme designated an essential condition for federal aid.

With existing federal short-term programme due to expire June 30, this delay put the city under great pressure, although elements of this programme remain unattained.

City leaders are to resume talks with municipal union leaders to a new two-year pay deal, nearly three months of exclusive discussion.

Sen. Proxmire and the Federal Government are to see a settlement with the unions. Meanwhile New York state legislature is passing Assistance Corporation

legislation which would extend the life of the emergency Financial Control Board for a further 19 years and which would give it teeth to veto transactions which it believed were beyond the city's fiscal means.

However, the major New York banks and institutions have warned they will not purchase the \$1bn of securities necessary for the city's operations over the next four years unless a "sun-set" provision, allowing the Board's powers to wane, is removed from the legislation.

This is likely to be accommodated by the legislature which is also trying to move swiftly on legislation to increase the borrowing powers of the Municipal Assistance Corporation

Canada N-weapons delay

BY VICTOR MACKIE

OTTAWA, May 31

CANADA WILL not have divested itself of nuclear weapons until about 1983-84, Admiral R. H. Falls, chief of the Canadian Defence Staff, told the Commons Defence Committee today.

He said that Voodoo aircraft may be displaced by 1983 by new fighters which the Government is in the market to buy.

The defence chief also told the committee that the neutron bomb was "less ominous" in that it produced less blast than a conventional nuclear warhead.

He was questioned by Opposition members, who pointed out that the Prime Minister, Mr. Allan MacEachen, disagreed, saying that Canada supports the decision of the U.S. to postpone production of the special battlefield neutron weapon. Canada, he said, hoped that the Soviet Union would show similar restraint in its deployment of forces. He claimed that the U.S. and Canada, by their stand, had put Moscow on the defensive.

An Opposition member said Mr. Trudeau's speech to the UN had left a "false impression" that Canada was moving out of nuclear weapons immediately.

weapons immediately. They also suggested that the admiral was adopting a line which diverged from that laid down by Mr. Trudeau in his UN speech on the neutron bomb.

The Deputy Prime Minister, Mr. Allan MacEachen, disagreed, saying that Canada supports the decision of the U.S. to postpone production of the special battlefield neutron weapon. Canada, he said, hoped that the Soviet Union would show similar restraint in its deployment of forces. He claimed that the U.S. and Canada, by their stand, had put Moscow on the defensive.

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OVERSEAS NEWS

Pakistan seeks \$800-\$900m help

BY DAVID WHITE

THE WORLD BANK'S Pakistan Committee of donor countries meets here tomorrow and Friday to consider Pakistan's request for an increase in its debt relief programme for the 1978-79 fiscal year.

Pakistan is reported to be asking for a total package of between \$800m and \$900m. In 1976-77, the group of donor countries pledged about \$700m, including grants, soft loans and project loans. The amount of aid increased by about 5 per cent in 1977-78, according to Bank officials.

The committee groups 11 member countries and the Asian Development Bank plus observers from international organisations, and will discuss medium and long-range development prospects.

The committee last met in December after the postponement of its regular annual meeting in April last year because of the Pakistani political situation.

Iqbal Mirza adds from Karachi: Along with the aid commitments for the next year,

Pakistan has requested the committee to provide it with relief in connection with the repayment of debt which will become due from July 1, 1978. The debt relief or rescheduling which Pakistan is requesting is between \$250m and \$300m a year. It includes nearly half of the committee debt while the other half is due to be paid to the non-committee members of the World Bank.

In the four-year period which will end on June 30, 1978, Pakistan received a total

debt relief of \$650m which was rescheduled. Pakistan requested the committee non-committee countries such a debt relief is required to maintain a net inflow of funds and ensure that its balance of payments position was not strained. This is after taking into account the maximum feasible effort which the country is expected to make in view of its per capita income which is estimated around \$190 a year with the population estimated at 73.6m.

PARIS, May 31

WORLD BANK REPORT ON INDIA

Record aid recommended

BY K. K. SHARMA IN NEW DELHI

THE WORLD BANK has presented a flattering report to members of the Aid India consortium of major western countries and Japan which meets in Paris on June 8 and 9, but has nevertheless recommended substantially higher foreign aid. The Bank feels that although the Indian Government's development strategy will lead to a rapid rate of development, it is still a long way from the growth of the economy will, once again, be resource-constrained.

The Bank forecasts that the trade deficit and the current account deficit will reach high levels during the second half of the 1978-1983 Five Year Plan. "Hence, the flow of external assistance will once again become an important factor in equilibrating savings and investment as well as in balancing the external payments." At present savings are marginally higher than investment.

When the consortium meets in Paris, it will consider the Bank's recommendation that foreign aid in 1978-79 should be raised to a record \$1.2bn from member countries. This amount will be matched by the Government of India. The Bank's report also envisages a foreign aid gap to be filled by foreign aid.

Foreign aid to India could rise to a record level of \$2.4bn when foreign exchange reserves are high at \$5.5bn.

of foreign aid on a substantial scale to meet the resources gap. The Plan has been stalled for political reasons since the National Development Council, of which all Chief Ministers of Indian states are members, called for a fresh version to be considered again in November. But the draft makes it clear that the Planning Commission also envisages a foreign aid gap to be filled by foreign aid.

The World Bank points out that India's foreign exchange reserves have increased in the past three years, commitments rising from an average of \$1.4bn a year in the 1970-75 period to an average of \$2.5bn a year during 1975-78. Net disbursements have increased from an average of \$800m to an average of \$1.5bn.

But the Bank points out that the contribution of these flows to India's real import capability, given world inflation, did not increase between the two periods. Net transfer of resources from abroad has never been above 3 per cent of GNP and fell to as little as 0.8 per cent between 1968-70 and 1973-74. The Bank's report says that the Government's economists who have cautioned against complacency just because of the export boom and the rising reserves, it is likely that the Bank's conclusions have emerged from discussions with Indian officials.

Zairean general to be executed

LUBUMBASHI, ZAIRE

THE FORMER Zairean general, General Tshisekedi, was sentenced to death by a military tribunal in Lubumbashi on May 31. The official news agency Azapa reported today. It said sentence was passed last Saturday on the officer after a 11-hour session of a military tribunal, officially called a "council of war."

The officer, named as General Tshisekedi, was accused of withdrawing troops and fleeing in the face of anti-government rebels who invaded the town in Shaba province. Meanwhile in Lusaka, it was reported that Zambia's President, Mr. Kenneth Kaunda, would fly to neighbouring Angola for talks with President Agostinho Neto next week. The State House spokesman declined to say what the two leaders would discuss. But Government sources said the main topic would be the recent fighting in southern Zaire.

Lebanon truce threat after heavy shelling

BY HANAN HAJAZI

BEIRUT, May 31

RECURRING TENSION in southern Lebanon is threatening the fragile truce that has held for twelve days since the town of Nabatieh and seven surrounding villages.

The Palestine Liberation Organisation (PLO) whose forces control the town about nine miles from the Israeli border, has warned that it will retaliate if the shelling continues. A communiqué by the PLO said that five people were killed and 17 wounded in heavy shelling of the town and surrounding villages last night. Lebanese Right-wing allies have been accused of mounting the artillery barrage which started on Tuesday night.

The tension coincided with the talks today between Mr. Elias Sarkis, the Lebanese President and Mr. Hafez Assad, Syrian President. The situation in southern Lebanon is expected to dominate the discussions between the two leaders in their first meeting in six months.

Israel must act against inflation

By L. Daniel

TEL AVIV, May 31. AN URGENT request to the Government cut the state budget by 10m (more than 2 per cent) and to collect 125,000 more tax on the basis of the existing tax rates, is contained in the annual report of Mr. Arnon Gafni, Governor of the Bank of Israel, submitted to the Knesset Finance Committee today.

These steps are urgent if inflation is not to get out of hand, he warned. The Government has been running 125,000 monthly in excess of budgeted expenditure, and this has led to a demand for money. If this trend continues, deficit financing will rise from the currently projected 124bn to 125bn or 10 per cent of the budget, economists warn.

Japan TV sales fall

Japan's colour television exports

fell 12.7 per cent in April to 264,418 sets from 302,862 in March and down 88 per cent from 422,867 in April 1977. Reuter reports from Tokyo. The Japan Electronic Industries Association said the fall was due mainly to reduced shipments to the U.S. and West European countries.

Belem project move

João Paulo Reis Yelloso, the

Brazilian Minister of Planning, told press conference that formal agreements on a \$4bn-\$5bn agricultural and aluminium project will be signed between Japan and Brazil next month. AP-DJ reports from Tokyo. The project involves an annual capacity of 320,000 tons and an alumina plant with an annual capacity of 800,000 tons in the suburbs of Belem.

Burmese-Bangladesh tension increases

BY SIMON HENDERSON

DACC, May 31

SERIOUS BORDER tensions and strained relations between Bangladesh and Burma have resulted from the forced exodus of thousands of Muslim refugees from Burma to Bangladesh. Mr. Tahir Hussain, the Bangladesh Foreign Secretary, said here today.

Some 150,000 refugees have so far arrived, he said, adding that the country has accepted their political right to expel a minority. He said some of the refugees were driven to the border by gunfire and there had been some shots fired across the border. There were no Bangladesh casualties but in several cases army units had to fire back in self-defence.

Quitting the latest position of the refugees, who are being kept in nine camps established along the 200-mile border. Mr. Hussain said the refugees continued to claim that they were forced into

leaving by the Burmese army and that young men and women were being kept behind to work as forced labour. They also claim that some have been murdered and many women raped.

The refugees started crossing the frontier after the Burmese authorities began conducting a census. The border Arakan province has many Muslim families who have moved from what is now Bangladesh and now form a large minority. When the Burmese authorities started issuing registration cards many refused to be labelled as foreigners and it is those without a card who are now being expelled, according to sources here.

The Bangladesh Foreign Secretary said talks he had with the Burmese on the subject in the past two months had been without result but he would be leading another delegation to Rangoon on June 8. He said both sides have agreed to settle problems bilaterally and through negotiation. His Government's line was that the refugees should be allowed to return to their homes if they were not contented with the present situation and to this end they were not being allowed outside the camps. The refugees who were mostly poor farmers had also expressed the desire to return if conditions improve.

Observers here say they suspect that the Burmese Army is moving against the Muslims in the Arakan region, a non-Buddhist majority in the area within a few years and consequent insurgency they have on other borders. They reject the suggestion that the Rangoon Government is aiming for a purification of the Burmese race.

It is also noted that the exodus coincides with the announcement of the revival of political activity in Bangladesh and the campaign for the general elections which are to be held this Saturday. The implication is that Rangoon acted while it thought Dacca was otherwise occupied.

The refugees, who are still coming across the land and river border at a rate of several thousand a day, are being looked after by a relief scheme co-ordinated by the United Nations High Commissioner for Refugees. So far \$3m has been committed, according to Mr. Hussain, and there was no shortage of food, water or medicine. But the newly arrived monsoon was making living conditions difficult and mass inoculations were being taken place against cholera, smallpox and typhoid.

WORLD TRADE NEWS

Sales of Scotch to U.S. up 28%

SCOTCH WHISKY exports in the

first four months of 1978 rose by 13.3 per cent in volume to 32.7m gallons and 22.5 per cent in value to \$187.5m compared with the same period last year, our Industrial Staff writes.

The main reason for the upsurge was a steep increase in shipments to the U.S. the world's biggest market for Scotch. The front of price increases announced in February but which for technical reasons were not implemented until May 1.

For the world as a whole during the four months, exports of Scotch blended and bottled in Scotland were ahead by 10.4 per cent in volume and 22.4 per cent in value to 22.5m gallons (worth £160m).

Britain wins \$3.5m

banknote plant deals

Portals has won contracts to install banknote plant making facilities in both India and Switzerland, a Financial Times reporter writes. The Indian deal, worth an initial \$2.1m, is a double output at the Roshanga, incorporating British equipment and technology valued at £11m. It is for a cylinder mould paper machine at Landquart in the National Bank of Switzerland to be manufactured domestically.

Aluminium study

Pechiney of France is studying

the establishment of a \$150m aluminium smelting project in Sabah, Malaysia. AP-DJ reports from Kuala Lumpur. The project envisages production of billets and ingots.

Freighters for Vietnam

Ranematsu Goshu of Japan has

signed a \$12m contract to supply four used freighters to Vietnam. AP-DJ reports from Tokyo. Vietnam will use a syndicated Japanese bank loan to buy the two 10,000-dwt and two 12,000-dwt vessels.

India in Dubai plan

Gammon India has secured a

50m contract to build and install a desalination plant in Dubai. Our Own Correspondent writes from Bombay. The plant is one of the Dubai Electricity Company's main projects for converting sea water into boiler feed water. The work includes units processing 13,000 cubic metres a day.

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fell 12.7 per cent in April to 264,418 sets from 302,862 in March and down 88 per cent from 422,867 in April 1977. Reuter reports from Tokyo. The Japan Electronic Industries Association said the fall was due mainly to reduced shipments to the U.S. and West European countries.

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Poland aims for trade balance

BY ANTHONY ROBINSON, RECENTLY IN WARSAW

POLAND is making steady progress towards eliminating its trade deficit with the West by 1980. But future plans for the expansion of coal and raw material industries in particular mean that Poland expects to continue borrowing on Western capital markets for the foreseeable future, the First Deputy Finance Minister, Mr. Marian Krazek, told the Financial Times in an interview in Warsaw.

The financial authorities are clearly concerned about unfavourable Western comments on the terms agreed on some recent signed Polish loan agreements, and the doubts which have been expressed about Poland's ability to bear the heavy debt service and repayment charges scheduled for the early 1980s.

Unofficial estimates put Poland's outstanding foreign debt at around \$13bn which is considerably higher than the Polish authorities originally planned for several reasons of which the most important is the series of bad harvests which have led to heavy imports of Western grain.

Grain and fodder imports are expected to cost around \$2bn in the 1977-78 period and the Polish authorities made it clear at the start of the year that they would like to finance oil and phosphate imports through a new Credit Corporation (CCC) to agree to a formal 10-year agreement to replace the existing three-year arrangement with the U.S. Agriculture Department which expires next year.

The U.S. gave a further \$500m credit for grain and fodder purchases this year and U.S. Agriculture Secretary Bob Bergland, in Warsaw earlier this month, con-

Export boost for Swedish pulp and paper industry

BY JOHN WALKER

STOCKHOLM, May 31

SWEDISH pulp and paper exports during the first three months of this year showed a considerable improvement, the Swedish Pulp and Paper Association says in their latest monthly report.

Total deliveries of pulp rose by 16 per cent to 1.08m tons and those of paper and board by 11 per cent to 1.32m tons compared with the same period in 1977.

The production of paper and board increased during the first quarter of this year by 33,000 tons or 2.4 per cent. The production of wood-free printing paper noted a sharp upswing and also in the case of newsprint a positive trend was noted. In contrast the association says that production of magazine paper and kraft paper decreased as did that of sulphite wrapping paper.

Paper and board exports rose by 1 per cent to a total of 972,000 tons, while the deliveries of paper and board for consumption in Sweden remained at the same level as that achieved in the first quarter of 1977.

Substantial increases in exports were noted for printing paper and material for corrugated fibre board production. The steepest rise in Swedish export was to countries outside Europe while trade with Sweden's two main markets, the U.K. and West Germany, only increased on a minor scale and dropped in the case of Denmark. The deliveries of paper and board to other countries in the Common Market displayed a favourable trend.

Despite the improved demand for Swedish production of paper and board, production of this market pulp this year has been on approximately the same scale as

as during the first three months of last year and amounted to 872,000 tons.

With growing deliveries this has meant a considerable reduction of pulp stocks. This trend is continuing during the second quarter and is expected to bring stocks to a normal level at the end of the first half of this year. The deliveries of chemical pulp showed the sharpest rise in shipments, for bleached sulphite grades. The demand for bleached sulphite pulp was also strong during the first three months. Deliveries of mechanical pulp showed an improvement of more than 25 per cent during the first quarter of this year.

Chemical paper pulp exports to Western Europe increased by 9 per cent. More than 625,000 tons were delivered during the period.

Romania in new airliner talks

BY ADRIAN DICKS

DUSSELDORF, May 31

ROMANIA is once again engaged in talks with VFW-Fokker, the German-Dutch aerospace group, over possible production of the VFW 614, the short-haul jet airliner, production of which was abandoned by the company as a result of a financial rescue by the West German Government last December.

Herr Johann Schaeffer, deputy chairman of VFW-Fokker, confirmed rumours circulating here for a week or two that the 44-seat VFW 614 is still attractive to the Romanians. Last summer the company concluded a

joint production programme under which as many as 140 aircraft were to have been built in Romania and exported to Eastern Europe.

Cancellation of the airliner's production in West Germany after only 16 had been sold had been assumed to spell the end of the Romanian contract, since VFW-Fokker has no funds with which to continue production of parts.

Herr Schaeffer made clear that if some new means of continuing the deal is agreed, work on the aircraft would not be re-

sumed in VFW-Fokker's plants. Romania would have to take full responsibility for production, and would presumably therefore have to make its own arrangements with Rolls-Royce and SNECMA, builders of the M45H turbofan engine that powers the aircraft.

The possible revival of Romanian interest in the aircraft is not seen in West Germany as a new chapter in the history of the British BAC One-Eleven, joint production of which is also under continuing discussion with British Aerospace.

Allied Breweries win big Iran consultancy contract

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

ALLIED BREWERIES has won an engineering and technical consultancy contract for a \$12m expansion at the Iran Malta company's brewery in Tehran. As part of the Government's industrial strategy programme the UK brewing industry has been concentrating on selling technology overseas as a way of building up exports.

The Tehran brewery is the second largest in Iran and will remain so even though its capacity is to be lifted to 500,000 hectolitres (roughly 90m pints) a year. It currently accounts for about a third of the Iranian beer market.

It is already exclusively committed to producing Skol lager, the brand owned by Skol International, a national brand controlled by Allied.

Allied has long been involved in building overseas breweries, as well as giving a technical and quality control service, with projects in Kenya, India, Spain and the Caribbean.

Skol is brewed in 15 countries and sold in 74. The expansion in Iran will help the brand towards its worldwide target of sales of 9m hectolitres (1.6bn pints) this year.

Chinese interest in UK's North Sea oil technology

HONG KONG, May 31

CHINA is interested in British North Sea oil exploration and extraction technology, the leader of a British trade mission said here today.

"China has enormous oil reserves but needs the know-how to exploit them," he said on return from an 11-day visit to China.

Lord Glenamara, formerly Mr. Edward Short, deputy leader of the Labour Party, said three oil experts on his mission had stayed behind in China to visit oil installations at the request of the Chinese.

Lord Glenamara led a mission organised by the North of England Development Council. The three men who had stayed behind were Mr. David Kemp of British Gas Corporation, Dr.

Colin Wilkinson of Phillips Petroleum Exploration and Mr. M. A. Kirkby of British Petroleum.

Lord Glenamara said the knowledge British oilmen had during the search for North Sea oil was now the information the Chinese wanted to use in expanding their own oil exploration and production.

During the visit, the mission met Vice-Premier Kang Shih-en, Minister in charge of State Economic Commission, who asked Lord Glenamara to help arrange exchanges of oil technology with Britain.

Lord Glenamara said the Chinese also expressed interest in mining machinery and had asked the Development Council to send another mission soon.

Poland aims for trade balance

BY ANTHONY ROBINSON, RECENTLY IN WARSAW

Poland has asked for some additional time in which to make these instalment payments. Talks will be held in Washington in July to see if a more long range financing arrangement can be agreed to, he added.

The Polish authorities emphasised the bulk of their foreign borrowing has been directly linked to investment and import of sophisticated plant and licences. A high proportion consists of government credits and supplier credits.

According to Mr. Krazek, "future borrowing will continue for long years to come, but at a decreasing rate, provided both sides are agreed, but he added, "we do not want the West to use the argument that we are too heavily indebted to raise the cost of borrowing."

There are signs, however, that some recent Polish loans have carried significantly higher interest rates than other Comecon country loans.

A case in point is the recent two-year \$40m loan arranged by Bank Handlowy with a group of exclusively Arab banks led by Union de Banques Arabes et Françaises (UBAF). The spread of 1.125 per cent over LIBOR looks high compared with current spreads on much larger loans to other Comecon borrowers like Hungary.

But Mr. Roman Malec, President of Bank Handlowy, claims that this was an atypical loan, being the first with an exclusively Arab group and specifically to finance oil and phosphate imports rather than a future export generating investment project.

Nevertheless the authorities have been sufficiently worried considering relations the IMF hopes that Poland will be able to pay off its debt at present.

As for reports that Poland was considering rejoining the IMF, Mr. Krazek said that at present, Poland will match demand.

One black note, however, is that the Government is now apparently resigned to living with a high level of inflation, which obliges the exchequer to pay out more in meat subsidies than it spends on all the social services combined. By June, the IMF hopes that Poland will be able to pay off its debt at present.

HOME NEWS

Coal Board hit by EEC energy row

By John Lloyd

THE NATIONAL Coal Board's marketing plans have received a severe setback from the inability of the Community Market countries' Energy Ministers to agree on a proposal to subsidise EEC-produced coal.

The proposal to spend about £200m over three years in subsidising EEC coal—largely British and German—for use in power stations was regarded by the Coal Board as a means for breaking into the European market.

It is estimated that it might sell about 1.5 million tonnes by 1981. Exports last year were about 1m tonnes, mainly to Europe.

The Coal Board needs extra market for its coal, partly because its production is rising due to the incentive bonus scheme and partly because sales to the steel industry remain low. In addition, its largest single customer, the electricity industry, will probably cut its order next year by as much as 5m tonnes.

Government advisers inquiry

By Philip Rawstone

THE Civil Service Commission is considering whether changes should be made in the rules governing the appointment of special advisers to Government Ministers. At present, political advisers can be appointed only as temporary civil servants for a period of five years.

Several advisers to Labour Ministers would have to resign next year if the Labour Government is still in office. A Downing Street spokesman, however, denied reports that Mr. James Callaghan had initiated the inquiry into the situation.

Though the Civil Service Commission is involved in the inquiry, the Prime Minister is understood to have made no proposals himself for changes.

SOCIETY MERGERS MAY BE KEY TO PROGRESS

High Street war poses dilemma for co-operative movement

BY ELINOR GOODMAN, CONSUMER AFFAIRS CORRESPONDENT

FINANCIAL losses in the last year by two of the biggest Co-operative retail societies, are increasing the serious concern of a number of the movement's senior executives at the trading position of some individual societies during the High Street prices war.

One of the two societies, the Royal Arsenal, reported a net loss of almost £970,000 in the year to January 21, 1978, on sales figures of almost £124m and faced severe criticism from its shareholders.

The second, the London Co-operative Society, was forced to sell assets, including shares in London Weekend Television, to finance a £886,000 trading loss. The London's turnover last year was up nearly 8 per cent to £207m. (In sales terms, this makes it three-quarters the size of British Home Stores, which reported pre-tax profits of £27m last year on sales of £274m.)

Difficulties faced by some of the 206 individual societies in competing with private traders such as Tesco were raised at this year's Co-operative Congress in Scarborough, which ended yesterday.

The feeling is that unless the performance of these societies improves, the Co-operative Retail Services—traditionally the society which takes over others in trouble—could find itself too much on its plate.

With profits under pressure, the price war among grocers, and the increasing need for capital to build the really big supermarkets, there seemed at Scarborough to be slightly less resistance to the idea of change than there has been for several years.

Two societies in the South Midlands, for example, are to merge to form a new single society with annual sales of well over £30m—a deal which may be followed by others among the traditionally fiercely independent retail societies.

The figures show that the movement failed last year to sustain the improvement in market share which it had achieved in the previous three years. Its share of total trade fell fractionally to 7 per cent.

Within this global figure, which still makes the Co-op Britain's largest trader, are very wide variations in performance. Some individual societies like the North Midlands did well, but others have a difficult time.

Such worries are not new in the movement, whose autonomous societies are ultimately controlled by its members. But the emergence of superstores—each costing several million pounds—as an important feature of the grocery market, has meant that societies need more capital than they can sometimes raise on their own.

Societies, even some of the larger ones, have been criticised for not sticking to the financial disciplines expected of them. Some in the past have paid more in dividends than they have made in surplus and have run down their reserves.

At times during the three-day congress, these problems were highlighted by speakers from the platform who called for new initiatives by the Co-op's governing bodies.

The congress also demonstrated the unique structure and aims of the movement which make it impossible to judge it as just another supermarket group fighting for the housewife's purse.

In spite of the concern in some quarters about individual societies' results there was far more general interest in the increasingly difficult question of how best to preserve the movement's social purpose in a world very different and much more affluent than it was when the Rochdale pioneers started it all and the

Co-op was part of working-class life.

These two questions, as several speakers pointed out, are inter-related, because without profit there is no money to finance the movement's wider objectives.

Resistance to change still remains extremely strong in spite of the murmurings about the need for larger societies.

The central executive has long favoured a grand regional plan which would reduce the number of existing societies to 26, but in the last three years the number of mergers has fallen to a trickle.

Talks got hung up on points which in other organisations would seem inconsequential, such as the Luton Society, which is now to merge with Northampton to form a new South Midlands Society, was previously in merger talks with Enfield Highway, with groups like Tesco.

This would have been along the lines recommended by the regional plan. But the discussions apparently foundered on the question of what the new society should be called.

Enfield apparently insisted on the inclusion of the word "highway" so Luton turned instead to Northampton, which under the regional plan is part of another regional group.

The deal is therefore a good and a bad thing from the point of view of advocates of the grand plan.

On the good side, the merger has not come about through weakness—though both societies must have come under pressure from the price war—and the idea seems to be to enable the larger group to build the kind of large modern stores it needs if it is to compete effectively with groups like Tesco.

Allied Breweries workers given details of changes

BY KENNETH GOODING

DETAILS OF the major reorganisation of Allied Breweries' beer division, who was appointed after the departure of Dr. Kilkenny, division—which has had to face the resignation from the Board of Dr. Bernard Kilkenny in January—have now been given to the 20,000 employees involved.

The plan splits the beer division into 11 separate companies, each becoming an independent profit centre. In some of the voluntary redundancies and natural wastage.

Many of the names used for the new companies are already in use by Allied—such as Ind Coope, Elley and Ansells—and the reorganisation marks the re-in to look after the finance and personnel functions.

Mr. Douglas Strachan, new managing director of the beer division, who was appointed after the departure of Dr. Kilkenny, has told employees there will be no enforced redundancies or loss of terms and conditions.

So far, no talks have been started with the unions, but it must be assumed that Allied will be hoping to cut employment within the division by way of the voluntary redundancies and natural wastage.

Examples of some of the new prices, with the old prices in brackets, are: Escort 1100 two-door £2,295.36 (£2,125.58), Fiesta 1100L £2,611 (£2,538), Cortina 1600L £3,242 (£3,120), Granada 2800GL automatic £6,143 (£5,912).

Ford puts up car prices by 3.8%

BY STUART ALEXANDER

FORD began a new round of car price increases yesterday when it announced rises averaging 3.8 per cent, with effect from midnight last night. This is the first Ford rise since January 7 this year, when prices went up an average of 4.8 per cent, and hopes continue that the spiral of rises every 90 days has now been broken.

No other car manufacturer followed suit immediately but it is known that British Leyland has a round of increases in the pipeline and these are likely to become effective within four to six weeks.

Vauxhall and Chrysler are holding off for the time being but it is unlikely they will be able to maintain their prices beyond the end of July.

Vauxhall last raised prices on January 1 as did Chrysler, with the exception of Sunbeams and Alpines, which went up on April 1.

Ford can afford to be first to put up its prices as it is taking over 30 per cent of the UK market and, in the Cortina, has Britain's best-selling car. It has avoided discounting and Ford dealers should be making healthy profits.

It blames the rises on increased costs of raw materials, components and services.

Enterprise Board 'adrift by £450m in costing new plant'

BY MAX WILKINSON

THE National Enterprise Board was accused yesterday of grossly under-estimating the cost of its plan to set up a new semiconductor plant in the UK.

Mr. Jack Akerman, managing director of Mullard, the Philips subsidiary, and chairman of the National Economic Development Organisation sub-committee for the industry, said the board's calculations appeared to be adrift by at least a factor of 10.

He said international studies showed that some £500m would be needed to set up a viable semiconductor company competing in the market for world standard products like computer memories and micro computers.

However, it appeared that the Enterprise Board believed it could be done for £50m or less.

Mr. Akerman added: "The amount it is reported they are prepared to spend will not buy much more than a do-it-yourself kit for semiconductor manufacture. It is totally inadequate to compete in a field where technology is highly complex and changing all the time."

Philips had invested around £500m in semiconductor manufacture, including the purchase of a U.S. company, Signetics, he said. Other multinationals with experience in the electronic markets had invested at about the same rate.

The working party will endorse the Department of Industry view that the setting up of a "main line" semiconductor company in the UK would cost about £500m and prove too expensive for the UK to consider on its own.

Advisers to the French and German Governments and European Commission officials have also concluded that a head-on challenge to U.S. or Japanese semiconductor companies would be very risky for any single European country and perhaps prohibitively expensive.

The German Government is contributing £75m to a four-year investment programme of around £150m up to this year centred on aid to Siemens. However, the Germans have so far concentrated on special purpose circuits rather than world markets for standard products.

French Government support for its industry is said to depend upon plans for a partnership with a major U.S. company, possibly Mostek.

Siemens in Germany, and the General Electric Company, in the UK also believe that acquisition of a U.S. company or a partnership with one of the new product, you find that half your equipment is out of date."

Mr. Akerman said.

Experience

The French and Japanese Governments both understood that expenditure running into hundreds of millions of pounds was needed to keep pace with research and development and manufacturing techniques, as well as to gain experience in a highly competitive world market.

"You can easily lose £10m a year on a single product. Then, as soon as you start to design a new product, you find that half your equipment is out of date."

Mr. Akerman said.

NEWS ANALYSIS — CAR LEASING

Tax battle looks imminent

BY DAVID FREUD

THE Inland Revenue indicated clearly for the first time this week that it plans to move strongly against what it considers tax abuses by some members of the mushrooming car leasing industry.

Harold Perry, a main Ford dealer, revealed that the Revenue was opposing the 1977 tax relief claimed on car leasing activities.

Although the Civil Service department is involved in the inquiry, the Prime Minister is understood to have made no proposals himself for changes.

Several companies have been offering schemes with this ownership provision. However, the Revenue has given firm indications that it intends to disallow the tax claims when they are eventually made.

Three elements have come together to cause the present clash.

First two decisions by Special Tax Commissioners in 1973 changed the status of leasing cars, making the practice vastly more attractive.

This, combined with the looser credit controls introduced last July, has fuelled an incredible upsurge in car leasing. The value of the business was estimated at £2m in 1976; £50m in 1977; and this year there are projections of total activity in the region of £200m.

Finally, the Inland Revenue seems in the last few years to have adopted a much more vigorous attitude to tax avoidance.

The special commissioners' decisions in favour of Godfrey Davis and Ford Credit in July 1976 meant that cars could be

treating in the same way as any other equipment. The capital allowance provisions of the 1971 Finance Act.

This meant that a lessor of a car could claim full tax relief in a single year against his purchase, rather than spreading the relief over four years, as before.

The decision doubled the tax advantage of leasing. As before, rentals on leased cars were fully tax deductible for companies, and deductions for a purchased vehicle were still spread over four years.

Additionally, the lessor gained a 100 per cent tax write-down. The benefit of this he could pass on to the lessee if he had sufficient profits to set the allowances off against. This requirement explains the fact that the leasing industry is dominated by the big clearing banks and their subsidiaries, with their reliable profits.

The schemes to which the Revenue objects go a stage further after the leasing period, which is normally two years. Clearly the vehicle cannot be sold direct to the company which is the leasing customer, since this would transform the transaction into hire purchase and remove the tax advantages.

Instead the car is sold under the schemes to the executive of the company at a value far below its real worth in the second-hand market—typically at about 10 per cent of the original capital cost.

However, the Revenue now looks as if it is preparing to put a stop to these arrangements in a number of ways—all under present legislation.

First, it may deny the company which leases the car tax deductions for the rental payments. Secondly there are signs that the executives will be taxed under the benefit in kind legislation.

Last, it may hit at the leasing company itself. It could do this either by obliging it to bring the full open market value of the car on sale into its calculations of capital allowances, or if the agreements always lead to sales to executives, it may argue that the car is not a capital asset but stock in trade and does not, therefore, qualify for first-year allowances.

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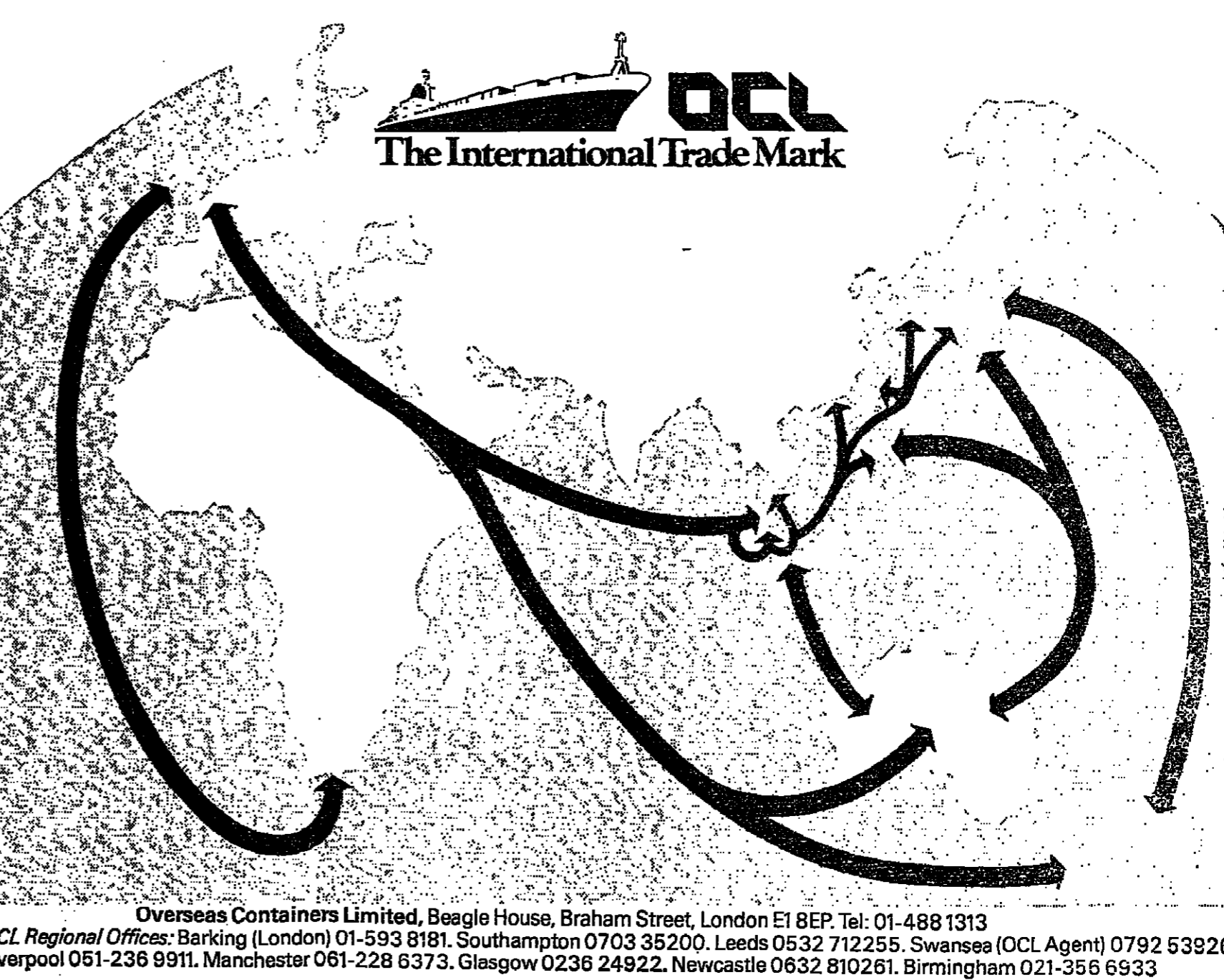
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HOME NEWS

De Beers cuts gem surcharge to 15%

BY PAUL CHEESERIGHT

THE SQUEEZE on the international rough diamond market relaxed yesterday when the De Beers Central Selling Organisation told clients that the surcharge on gem stones at its next London sale would be cut to 15 per cent.

The organisation controls the flow of about 85 per cent of the world's rough gem stones on to the world market and holds 10 sales a year for about 300 selected clients.

The surcharge at its March sale was 40 per cent, and 25 per cent at its most recent sale in May.

The policy of levying an extra charge on a flexible basis was adopted in March in a bid to quell speculative trading in rough stones.

Stockpiles grew in main diamond cutting centres, particularly Israel, and stones were changing hands at a premium of up to 100 per cent on the organisation's list price.

The progressive reduction of the surcharge indicates that the level of speculative trading has lessened, and that the rough diamond market has returned to conditions approaching normality.

De Beers said that the allocation of stones to clients would be virtually normal in relation to their demands.

Deprived

This gives little clue as to whether the amount at the sale, starting next Tuesday, will be greater than that offered in early May, but suggests that clients will not be deprived of stock as some were in April.

Over the last two months, premiums offered on stones in the secondary market dropped markedly. Some goods have been selling at prices of 10-15 per cent under the level of the De Beers list price, plus the 25 per cent surcharge obtaining in May.

Stones have also been coming back on to the market from Israel.

Demands for polished diamonds—stones which have passed from the organisation through the first stage of manufacture—has been quiet but firm.

The organisation's flexible policy makes predictions about future pricing difficult. But it is believed in the industry that the 15 per cent surcharge may be the last, and that the organisation will raise its list price to meet the surcharge level within the next few weeks.

Public 'needs education' on insurance

By Eric Short

INSURANCE COMPANIES needed to do more to educate the public about insurance matters and to tell them the facts about life insurance, especially its advantages, said Mr. Joe Macharg, general manager of the Scottish Provident Institution, at a seminar in London yesterday.

Life insurance had much of which to be proud in its operations. It was one of the more successful of British "industries." Yet like a lot of other bodies, it was condemned unjustly simply through lack of understanding.

He considered that if everyone understood better what it was trying to do, and how it was trying to do it, it would receive more sympathetic treatment from politicians and others.

There would be much less talk about direction of investments, and a general desire by politicians to run the insurance industry.

Mr. Macharg said that the British Insurance Association and the Life Offices Association had produced some excellent educational kits for schools and other educational centres covering all aspects of insurance. He urged that more use be made of these.

Parents press for drug damage inquiry

PARENTS—who believe their children have been damaged by hormone pregnancy testing tablets—are to see Mr. Roland Moyle, Health Minister, next Tuesday to renew calls for an inquiry.

The parents, whose campaign is being led by Mr. J. Ashby, Labour MP, are angry at Mr. Moyle's refusal of a request for an inquiry during a Commons debate last week.

Damage attributed to the drugs withdrawn in 1976 for pregnancy testing, include heart and limb defects and cleft palates. It has been estimated that thousands of children may have been affected.

JUDGE URGES HOME SECRETARY TO DEPORT 'HUNGARIAN CIRCLE'

Five jailed for bank drafts swindle

JAIL SENTENCES ranging between 4 and 14 years were imposed at the Old Bailey yesterday on five members of the "Hungarian Circle," who tried to swindle banks out of millions of dollars with forged bank drafts.

Judge Gerald Hines said he intended to recommend that all five men be deported when the requisite notices expired tomorrow.

"As people have come here primarily if not exclusively, to exercise this kind of plan, it must surely be right that the Home Secretary should be invited to give serious thought to the question whether they should be sent out of the country as soon as possible," he said.

The heaviest sentence was imposed on Henry Oberlander, 51, of Clarendon Road, Notting Hill, West London, said during the trial to have been a man of many identities and a master of disguise.

He was described by the judge as the central and major member of the organisation and jailed for a total of 14 years concurrent on each of two conspiracy charges. He was also fined £25,000 on each charge, with an extra 12 months in default of payment.

He was also ordered to pay £15,000 prosecution costs and the question of his defence costs was referred to the Legal Aid Commission.

Francisco Flocas, 48, of Westbourne Gardens, Paddington, a master forger, was jailed for eight years for his part in two conspiracies, and ordered to pay £2,500 prosecution costs and up to £2,500 defence costs.

The judge told him: "I am satisfied that throughout the period that you were here you were purposefully and effectively engaged in the work of forgery and playing an extremely important part."

Hyperbole

Two men were jailed for six years. They were Andre Biro, 52, of Rosslyn Hill, Hampstead, described as the quartermaster, and South American controller in the Hungarian Circle, and Emilie Fleischmann, of Ladbroke Mews, Notting Hill, a Budapest Hungarian born in Budapest, who also assumed many identities as he helped Oberlander to pass forged bank drafts.

Biro, in addition, was ordered to pay £2,500 prosecution costs and not more than £5,000 defence costs.

Jorge Grunfeld, 55, also of Clarendon Road, a naturalised

Argentinian born in Romania, who travelled the world obtaining signatures on genuine bank drafts which the forger could later copy, was jailed for 4½ years and ordered to pay £500 prosecution costs and up to £500 defence costs.

Mr. Kenneth Richardson, for the Crown said when the case opened that the forgeries were brilliant and the fraud so vast had they gone undetected they would have undermined the banking system of the Western world.

Mr. Ashe Lincoln, QC, asked the judge in mitigation to "treat that as mere hyperbole, which the Crown was entitled to use in opening its case." He submitted that there was no evidence to justify the expression.

Passing sentence, Judge Hines said: "This is a case which has lasted a substantial time and about which—I do not think any one would dispute—there is great gravity."

He said comment had been made in the Press and elsewhere about the case but, as the Judge, he felt he must deal with the facts as they had been established in court.

In deciding the future of the five men the question of deportation, the judge said he had first to consider whether the

case was so grave that it must be dealt with on the basis of its gravity rather than the interests of the individual.

He believed it was of such intrinsic gravity that the offences carried out with extreme care and deal of potential damage to the community. He had to have regard primarily to the public interest in deterring conduct of this kind.

In deciding the maximum penalty for the offences, he had to have regard to the penalties imposed by law for similar crimes as a guide to the gravity of the offences.

He had to have regard to the fact that the offences were committed in the United Kingdom and that the offenders were present in the country at the time of the offences.

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More tourists stay in London hotels

BY SUE CAMERON

MORE TOURISTS stayed in London hotels last year than ever before, according to a survey carried out for the English Tourist Board and published yesterday.

The survey, based on monthly figures from 420 hotels throughout England, showed that an average of 65 per cent of beds were occupied during the year.

In 1976, the figure for beds occupied was 57 per cent and in 1975 it was only 51 per cent.

During last year, seasonal occupancy rates for beds in London hotels varied from 83 per cent in July to 46 per cent in December.

The total number of overseas visitors to London was 7.8m in 1977 compared to 6.5m in 1976. The number of British visitors to the capital remained constant at 11m.

In other parts of the country, the overall level of occupancy remained static; cheaper seaside hotels felt fewer beds, but this was balanced by an upturn in the business done by hotels in larger towns.

The survey, carried out by A. C. Nielsen, shows a steady

decline over the last few years in the number of guests going for holidays to seaside hotels charging under £6.50 a night for bed and breakfast.

Average occupancy in seaside hotels went down from 39 per cent in 1976 to 36 per cent last year.

Hotels in big towns and more expensive seaside hotels have been able to maintain or increase the numbers of their guests, partly because of conference trade.

Figures for the regions showed there was a drop in occupancy rates in the North.

This was particularly marked in the North West, where figures for the peak season, July to September, fell from 65 per cent in 1976 to 53 per cent in 1977.

The highest regional occupancy figure recorded last year was 80 per cent for the South—Hampshire, East Dorset and the Isle of Wight.

The London Tourist Board said that it was pleased with the results of the survey because it suggested that the spare hotel capacity of previous years was being utilised. The aim now would be to achieve a more even spread of hotel guests throughout the year.

Costain stood out with a 55 per cent profit gain, and others connected with the building industry, which made good progress included AP Cement, up 30 per cent, and Ready Mixed Concrete, up 23 per cent, while Hawker Siddeley, with a gain of 30 per cent, and Delta Metal, 22 per cent, were also prominent.

Dividend costs in the May reports showed a rise of 181 per cent on the previous year. This is below the 28.6 per cent rise in April reports but slightly better than the first-quarter increase of 16.3 per cent.

ITV ex-editor wins a medal

THE ROYAL Television Society has awarded its 1978 Gold Medal to Sir Geoffrey Cox, pioneer editor of ITN and creator of News at Ten. This medal is awarded each year for good contributions to television.

Sir Geoffrey resigned his television directorship last year to become spokesman for the independent television companies at the time the Annan Report was being compiled. He remains a consultant to Trident, and chairman of an international news-film agency.

Denmark visit

MR. JOHN FRASER, Minister of State, Prices and Consumer Protection, is on a three-day visit to Denmark during which he will meet the Danish Consumer Ombudsman, Mr. Niels Engholm, and members of the Consumer Council.

Mr. Fraser will also have talks with Mr. Erling Jensen, Minister of Justice and Mr. Ivar Norgaard, Minister of Commerce.

Good start at Watlingtonbury

CHRISTIES' yesterday started one of its biggest house sales disposing of the contents of a Watlingtonbury Place, Kent, which was built for Sir Thomas Style in 1707 and returned to the family when Mr. David Style bought it in 1945.

The buyer also acquired, for £13,500, a pair of George III mahogany pagoda cabinets in the style of Thomas Chippendale.

An Italian ebony cabinet on stand, of the mid-17th century, realised £19,000 and Partridge Fine Art, again, paid £16,000 for a George III ormolu mounted mahogany commode.

The same sum secured an Italian porphyry and rosso levanto marble bust of the Emperor Vitellius made in Rome, c. 1800. It was bought by the Musée de Versailles. In 1882 it sold at Christie's for £525.

A pair of late George II mirrors went to Christopher Gibbs, the London dealer, for £12,000.

Best price was £30,000, plus 10 per cent buyer's premium, paid by a Spanish private buyer for an important suite of early George III walnut seat furniture in the Chinese Chippendale style.

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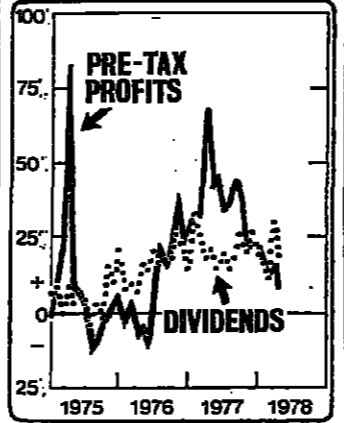
Slowdown of profits in May reports

Financial Times Reporter

TAXABLE profits in the 312 industrial company reports and accounts received during May showed the smallest percentage increase on the comparable year-ago figures since mid-1976.

The rise of 7.4 per cent compares with the previous month's 15.6 per cent increase. Some of the bigger companies acting as a drag on the overall performance included Dunlop Holdings and Quest Kees which showed respective falls of 29 and 19 per cent.

On the other hand, Richard



Costain stood out with a 55 per cent profit gain, and others connected with the building industry, which made good progress included AP Cement, up 30 per cent, and Ready Mixed Concrete, up 23 per cent, while Hawker Siddeley, with a gain of 30 per cent, and Delta Metal, 22 per cent, were also prominent.

Dividend costs in the May reports showed a rise of 181 per cent on the previous year. This is below the 28.6 per cent rise in April reports but slightly better than the first-quarter increase of 16.3 per cent.

ITV ex-editor wins a medal

THE ROYAL Television Society has awarded its 1978 Gold Medal to Sir Geoffrey Cox, pioneer editor of ITN and creator of News at Ten. This medal is awarded each year for good contributions to television.

Sir Geoffrey resigned his television directorship last year to become spokesman for the independent television companies at the time the Annan Report was being compiled. He remains a consultant to Trident, and chairman of an international news-film agency.

Denmark visit

MR. JOHN FRASER, Minister of State, Prices and Consumer Protection, is on a three-day visit to Denmark during which he will meet the Danish Consumer Ombudsman, Mr. Niels Engholm, and members of the Consumer Council.

Mr. Fraser will also have talks with Mr. Erling Jensen, Minister of Justice and Mr. Ivar Norgaard, Minister of Commerce.

Good start at Watlingtonbury

CHRISTIES' yesterday started one of its biggest house sales disposing of the contents of a Watlingtonbury Place, Kent, which was built for Sir Thomas Style in 1707 and returned to the family when Mr. David Style bought it in 1945.

The buyer also acquired, for £13,500, a pair of George III mahogany pagoda cabinets in the style of Thomas Chippendale.

An Italian ebony cabinet on stand, of the mid-17th century, realised £19,000 and Partridge Fine Art, again, paid £16,000 for a George III ormolu mounted mahogany commode.

The same sum secured an Italian porphyry and rosso levanto marble bust of the Emperor Vitellius made in Rome, c. 1800. It was bought by the Musée de Versailles. In 1882 it sold at Christie's for £525.

A pair of late George II mirrors went to Christopher Gibbs, the London dealer, for £12,000.

Best price was £30,000, plus 10 per cent buyer's premium, paid by a Spanish private buyer for an important suite of early George III walnut seat furniture in the Chinese Chippendale style.

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Commission acts on sale of cheap imported steel

BY ROY HOBSON

IN NEW moves to check sales of cheap imported steel into British and European markets, measures against steel imports taken action against East Germany and Australia.

Both countries are alleged to have been selling their steel at below the import prices set by the EEC Davignon Plan.

The commission has imposed a definitive anti-dumping duty on some types of zinc-coated sheet and plate from East Germany.

Such duties are already in force against some other East German steel products.

The move is seen as an important development in Community action against the high levels of steel imports into EEC markets from the Common nations.

In its action against Australian trading, the EEC has decided against a definitive anti-dumping duty.

Instead, provisional anti-dumping duties already imposed on iron and steel coils from Australia, exported to Europe

for re-rolling, will be extended. A feature of the commission's measures against steel imports is that the rate of duty is variable.

Arrangements

It can be reduced to the extent that the importer satisfies European customs that the import price is lower than the basic price because of the inferior quality of the goods.

Other steel-producing countries named in recent EEC anti-dumping legislation for iron and steel products include Bulgaria, Czechoslovakia, Romania, South Korea, Japan, Poland and Spain.

Viscount Etienne Davignon, the Industry Commissioner, who devised a plan for protecting the European steel industry and allowing it a breathing space to stabilise, has secured bilateral steel trading arrangements for the Community with EFTA members and other countries.

British Industry 1500 Club

Mr. Tony Boyden (centre), campaign organiser of the British Industry 1500 Club, with the Lord Mayor of London, Sir Peter Vaneek (left), a vice-president, and Sir John Methven (right), who has accepted the presidency of the club.

Glasgow winner of yacht race

TERENCE BROWN, a Glasgow accountant, won the 1978 Tomatin Trophy series in his new quarter-ton yacht Fiskery at Farnham, Surrey, with a score of 781 points. He beat into third place the reigning champion, Nick Stratton.

Stratton, in his new half-tonner Just Dinn, chalked up 514 points to win the Scottish half-ton championships.

Clash as Heathrow extension inquiry opens

SHARP DIVISIONS of opinion over the necessity for the proposed fourth passenger terminal at Heathrow Airport emerged yesterday when the public inquiry into the plan opened in London.

Lord Silsoe, QC, for the British Airports Authority, argued that the proposed £50m. terminal would be "a vitally important part of this country's transport system" without which there would be a shortfall of airport capacity to handle the expected growth of traffic in the 1980s.

But lawyers for the opposition, including various environmental groups representing the area around Heathrow, argued that the proposed terminal should not be permitted until the Government itself has clarified its long-term strategy for airport development in the UK and especially in the South-East of England.

The inquiry has been called by

work until the mid to late autumn. The first three days of the inquiry have been set aside for the opening statements of the various parties. Including the airports authority and the planning bodies involved in the plan.

But the broad shape of the inquiry began to emerge yesterday, with the sharply contrasting views of the various parties.

Lord Silsoe, for the airports authority, stressed that the terminal as essential. The available capacity at Heathrow would cease to be sufficient between 1982 and 1985, while some elements at Heathrow would be affected earlier.

There is no way in which the expected shortfall in capacity can be met without the provision of a fourth terminal, he said.

He said the failure to provide the terminal would be detrimental to national interests and the interests of

Public report likely in response to Eleni V criticism

BY PAUL TAYLOR, INDUSTRIAL STAFF

THE RESULTS of two internal inquiries, one requested by the Prime Minister, into the Department of Trade's handling of the Amoco Cadiz and Eleni V incidents are unlikely to be made public. But some form of public report dealing with the lessons of the two incidents is probable.

In the wake of the explosion on Tuesday which sent the Eleni V's bow section to the sea bottom 20 miles off Lowestoft, 12 spraying vessels were yesterday attempting to disperse a square mile of oil patches and prevent further coastal pollution.

Sonar surveys of the wreck, completed yesterday, showed that it is still basically intact and lying 110 ft below the surface. However, the Department of Trade says it does not consider the wreck to be a shipping hazard.

The first of the two inquiries is a purely routine report prepared by Department officers after a major incident. Such a report was already underway over the Amoco Cadiz disaster.

The second report, for Mr. Callaghan, is due to be completed by July 1 and will make recommendations for the future handling of pollution emergencies.

Both inquiries are to be conducted by officials in the Department's marine division under the supervision of Mr. Stanley Clifton Davis, Under Secretary for Trade.

Although publication of the findings is unlikely, it is understood that a public report will be prepared, following criticism by local people and MPs over the Department's handling of the 24-day Eleni V affair.

Yesterday, the Department of Trade said "log on the Eleni V" would be published next week. Both the Departments of Trade and Environment are preparing advice for local authorities and individuals on compensation claims. The Trade Department has already announced it will be submitting a £2m bill for anti-pollution measures under the terms of industry-based and international claims provisions.

Direct elections to Europe were an open acknowledgement of the end of Britain's national home, and would reduce the status of the country within the Community to that of the West Midlands inside the UK. Mr. Enoch Powell said last night.

The Ulster Unionist MP, for South Down, returning to his favourite anti-market theme, argued that as a result of EEC membership, Britain had already lost the power to run its own trade policy, its own fisheries policy, and its own agricultural policy.

Britain's existence as a "collective entity" was now the central point at issue. "The question of the Federation of Sussex Industries that even if the fundamental political drawbacks to membership were laid aside, the economic case was itself inconclusive. He implicitly suggested that unpalatable reality would be the end of the Community."

Supreme issue

Attempts to measure such concepts as the standard of living and economic growth ignored many factors, he said. "Aspects of life, even of the individual's life, which he values more highly than some of the ones which can be measured."

The question of British membership of the EEC was the supreme political issue of the time. "That is not to say that it is party political," he declared. "Sometimes it is, and sometimes it is not. But it can never be answered other than politically."

Midland raises personal loan interest rates

AN INCREASE in interest rates on personal loans was announced by the Midland Bank yesterday. The increase followed similar moves by National Westminster and Lloyds, reflecting the recent general rise in the level of short-term interest rates. Since the Budget, the banks have raised rates for overdrafts and personal loans by 2½ per cent to 9 per cent.

The effective interest rate for new personal loans at the Midland from today will be equivalent to 16.7 per cent for a two-year loan. This compares with 14.7 per cent previously, and is equivalent to a flat interest rate on the initial amount of 8½ per cent.

Roadworks

Moreover, the fears extended to the effects of terminal on the surrounding road, and it was urged that the terminal should not go ahead until the M25 motorway and other major roadworks were completed.

At one stage, the objection case was applauded by the public in the hall, but Mr. Glidewell asked for silence and urged that the speaker be heard for what a speaker has to say is not a matter which is at any stage of the inquiry will impress or help me.

The inquiry continues today.

Planning bodies

There are over 400 objections to the proposed terminal, including local authorities, residents' associations and individuals.

As a result, the inquiry is expected to take several months and is not likely to complete its

work until the mid to late autumn. The first three days of the inquiry have been set aside for the opening statements of the various parties. Including the airports authority and the planning bodies involved in the plan.

But the broad shape of the

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

TEXTILES

Micro gets it sewn up

LATEST conquest of the microprocessor is the industrial sewing machine. Later on this year the Singer Company will be introducing a model that will be likely to have a dramatic effect on the rag trade.

Known as the Programmable Centurion, the machine is the outcome of a project in custom MOS design undertaken for the company by AMI Microsystems. Its main effect will be that the operator will not have to remember complicated work sequences. As soon as the machine has been used once in the prescribed manner, the program is stored in random access memory. From then on, the operator (or any other operator) simply has to guide the material and hold the treadle down.

For garment industry management the machine means that instead of giving lessons to operators, the sewing machines themselves will receive the training, cutting staff turnover and training cost problems.

Regardless of complexity, the machine remembers up to 50 jobs and repeats them flawlessly at speeds up to 100 stitches per second. It sews the same number of the same type of stitches at the same speed as the operator from which the procedures were memorised, stopping at the same points for the same length of time to allow for a change of direction. It lifts the needle, or leaves it down, as learned and it starts and ends the sewing sequence with the appropriate back tacks to secure the stitches. As the operator becomes more proficient in guiding the fabric, the speed of any portion of the cycle can be increased without affecting the rest of the program.

Three AMI chips are involved.

One of these is the processor itself, which controls and oversees the complete program. It counts stitches and measures time periods and machine speeds, pulling the selected program from the memory (RAM) and employing an operating system resident on read-only memory (ROM). A second chip, an "interrupt" unit, deals with the flow of signals through the electronics circuits, while a third is a touch pad interface chip located in the operator's control console on the top of the machine. The touch panel with associated lights is used by the operator during the programming work.

The machine has several modes of programming and operation. In "auto learn" for example, it simply learns what the operator has done, and in "auto sew" will play it back exactly.

But in "control sew," although the detail played back is the same, the operator has control of the treadle, the delays, and therefore the overall machine speed.

In the "key learn" mode the machine will only learn the actions, not the times: maximum speed and the exact delays are pre-set. There is also a manual setting in which the unit becomes a conventional sewing machine.

Other modes take care of basic machine setting up, repair (in the event of a problem during sewing) and the possible need to abort a program for any reason.

AMI points out that although there are other sewing machines on the market offering electronically controlled operations, Centurion will be the only one to capture data, with programming for, rather than simply by the operator.

More on 0793 31345.

HAND TOOLS

Easier to cut to shape

TWO thermocutting tools, called ZTS-20 and ZTS-21, and made by the Wetwyn Tool Company, have electrically heated blades for speedy and accurate cutting of rubber and plastic sheet, foam, foil and cloth.

The tools do not stress or cause cracks to form along the cut edges, says the company, as the heat seals the end of the fibres thus preventing fraying.

Consisting of a handle and cutting head, which may be attached to a wide range of blades (hooked, beveled, notched, side cutters, etc.), the ZTS tools are used for cutting various plastics, rubber, foam, etc. from moulded or diecast parts and a pointed blade for describing intricate shapes plus extra-long blades for sheet materials up to 50mm thick, the tools are powered by a 120-V infinitely variable mains transformer.

There are a number of special attachments for plastic foams, including a variable loop holding device for internal shaping and hollowing out. A freisaw attachment and bench for mounting the cutter can be supplied and this enables materials up to 80mm thick and 270mm wide to be handled.

Further from the company at Stonehills House, Welwyn Garden City, Herts.

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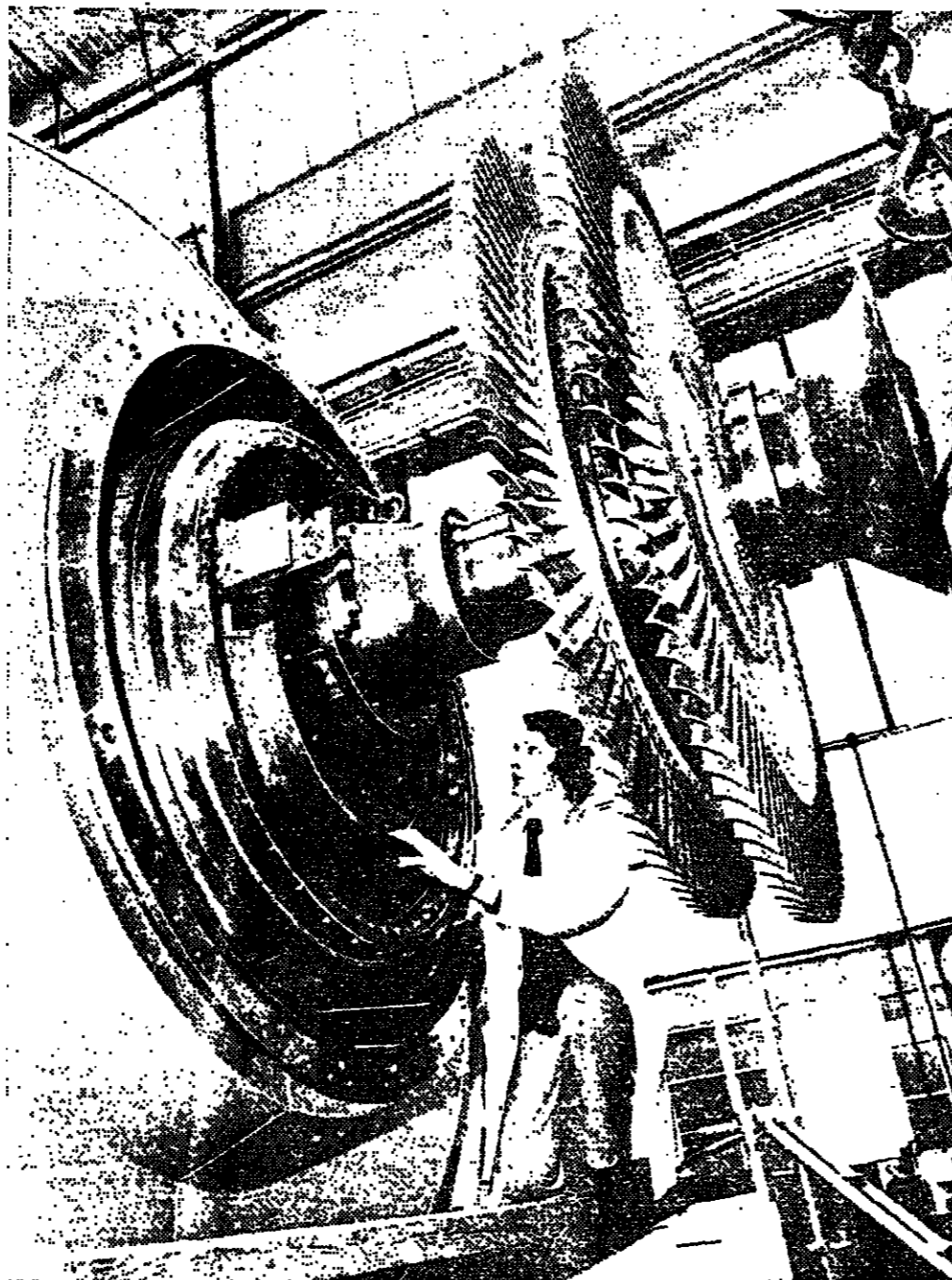
legrand

ELECTRICAL FITTINGS

Progression of the dividend on a capital increased by 20%

On April 12, 1978, the Board of Directors approved the accounts for the financial year 1977

Consolidated Accounts (1)	(in Frs million)
Total turnover amounted to	Frs. 1,033.2
Against Frs. 882.7 million, an increase of 17%	
Trading profit totalled	Frs. 176.8
An increase of 37.5% compared with 1976	
The net accounting profit after tax totalled	Frs. 73.2
Including:	
- A net appreciation on a lease-back transaction for Frs. 29.2 million	
- A provision for foreign investment on behalf of PIAL for Frs. 21 million	
If one does not take into account these two exceptional operations, the profits reached	Frs. 59.5
An increase of 29.4% compared with 1976	
Gross flow after tax totalled	Frs. 138.2
An increase of 39% compared with the preceding year	
As for the sales on foreign markets which totalled	Frs. 227.2
The increase reached 34%. The share of these sales in the total turnover increased from 19.2% to 22%	
(1) Excluding new subsidiaries: PIAL (Brazil), WEG (West Germany), MPE (Austria)	
Parent company Legrand	Frs. 862.1
Pre-tax turnover totalled	Frs. 129.9
An increase of 16.2% over the previous year	
Trading profit amounted to	Frs. 60.7
An increase of 32% compared with 1976	
The net accounting profit, taking into account the exceptional items mentioned above, totalled	Frs. 42.0
An increase of 66.8%	
If one does not take into account the incidence of the net appreciation on lease-back and the provision for investment in Brazil, profits reached	Frs. 108.5
An increase of 15.4% compared with 1976	
Cash flow after tax totalled	
An increase of 31.7%	
The Board of Directors also decided	
- to call the Annual General Meeting on June 26, 1978	
- to propose the payment of a dividend of Frs. 24.50 on a capital increased by the distribution of one bonus share for every five old shares held in October 1977, compared with Frs. 21.30 the previous year. This dividend will be made payable as from July 3, 1978	
- to call an Extraordinary General Meeting the same day with the view of increasing the capital by issuing 8,000 new shares. These shares, once the shareholders have renounced their preferential rights will be subscribed by a Common Investment Fund created in the frame of a Company Savings Plan	
At 31st March, 1978, Legrand S.A.'s sales were up by 4.6% compared with the sales for the fourth quarter of 1977. Compared with the first quarter of 1977, they showed a decrease of 1.3%. However, the Group's sales progressed slightly. Since last February, orders registered showed a slight improvement in the trend.	



Rolls-Royce is to supply the main generating turbines that go to make a single gas turbine installation is shown here being positioned in its pedestal. The sets will be used to boost the power system during peak periods and emergencies. Rolls-Royce says the sets will provide full electrical output in about three minutes at the push of a button.

MATERIALS

A non-move surface

A HIGH-relief, high build, elastic textured finish, called Monolastex, which can be applied internally or externally, with exceptional adherence to virtually any substrate, is the claim of Liquid Plastics of Preston.

It can be applied by brush or spray, says the company, a single coat giving long-life protection, hiding defects and enhancing appearance. It cures to a fine textured finish or, alternatively, a variety of special textures effects can result from a simple roller treatment to the applied film whilst still wet.

The manufacturer says that usual self-textured coatings tend to give a low gritty relief that chips or flakes, especially under substrate movement, but its product eliminates this possibility. It also combats the danger of blistering and subsequent rupture of the skin through moisture being trapped in the substrate—a common reason for failure of ordinary finishes.

The elasticity of this coating in five colours: mist grey, light green, light blue, magnolia and pale lemon, as well as white—cures to a silk screen, aging to a full matt.

Further from the company at P.O. Box 7, London Road, Preston PR1 4AJ.

HANDLING

Dump trucks are quieter

THE FITTING of a noise suppression pack that can cut noise output by up to 10 decibels—to levels well within the toughest British and European standards—is a feature of Aveling-Barford's biggest-selling off-highway dump truck.

The company has developed the pack for its Centaur 50, a 50-ton capacity dump truck used extensively in open-pit mining, quarrying and construction projects around the world. It meets the stringent new noise limits being set by the National Coal Board for all site equipment and, says the company, achieved outstanding results in a series of tests under the new NCB procedure.

No additional maintenance is said to be necessary for the noise pack which is available in kit form and can be fitted during machine assembly or added to machines already in the field. More from the maker at Invieta Works, Grantham (0476 87351).

Safer for operators

ONE OF the prime features of an electrically powered pedestrian controlled die handling loads of up to one ton, is, says the maker, C.M.T. (Mechanical Handling) the safety of the operator.

Thus, the machine, CTS 18, has full wheel protection to prevent it being driven across the operator's feet; automatic safety reverse (eliminating the possibility of a man being trapped by his machine in a confined space); anti-digger trap protection, and guard against moving machinery on the hydraulic lift in the form of a full length transparent plastic screen.

Further from the company at 1281, Stratford Road, Hall Green, Birmingham. 021 777 8761.

INSTRUMENTS

Taped data translated

HIGH RESOLUTION satellite scanning radiometer images of the UK and surrounding areas—of particular interest to meteorologists and oceanographers—are being produced on a regular basis by the Electrical Engineering Department of the University of Dundee, on the SE7000A high-performance instrumentation tape recorder supplied to them by SE Labs (EMI).

Dundee started the service—still the only one provided in the UK—just two years ago. They have used the SE7000A for continuously recording data from

NOAA5 (the American National Oceanic and Atmospheric Administration) weather satellite ever since. The project is funded by the Natural Environment Research Council and images are available to anyone who is working on an approved environmental sciences project in a UK university or research institute. Commercial concerns are charged a fee for the service. The satellite analogue data signals are recorded on the 14-track SE7000A running at 30 ips. More from SE Labs, Spur Road, Feltham, Middlesex, TW14 0TD. 01-880 1477.

Versatile recording

PUT ON to the market by Gulton International is an oscillographic recorder with a response up to 140 Hz and a capacity of two, four, six or eight channels.

All models have an eight-speed push-button selection chart drive, with speeds from 0.5 up to 100 mm/sec.

Writing is by thermal stylus on heat sensitive rectilinear grid chart paper, and automatic heat compensation in the stylus maintains a constant trace density whatever the speed of the paper. The trace density can, however, be adjusted to suit

the user. Sturdy coaxial stylus are standard, but long life ceramic tip units with a two year guarantee are an option.

In all there are 30 plug-in signal conditioners that can be applied to any of the eight channels: the eight units plug in across the top of the front panel. Parameters covered include voltage, current, temperature, strain, frequency conversion to DC, AC conversion to DC and many others.

More from Technitrite Europe, Gulton International, Old Shoreham Road, Hove, Sussex, BN3 9EY (0273 774011).

Easy check on rust

AVAILABLE FROM Morgan Berkeley and Co. is an accurate over-head voltmeter which is able to monitor the corrosion potentials on submerged offshore structures.

Made in the form of a gun, the unit has a digital display at the rear which shows either cathodic protection (if the surveyed structure is so protected by a sacrificial anode or an impressed current system) or corrosion potential relative to a built-in silver/silver chloride electrode.

A hardened cone tip (which will penetrate coatings) is used to contact the structure and the reference electrode is positioned on the gun body 100 mm from the structure surface and is surrounded by a shroud which ensures a well defined and constant sensing area.

The internal electronics are driven by nickel cadmium batteries and frequently a full single hand-held dive.

More from the company at Moorside Road, Winchester, Hampshire SO23 7SF (0982 89622).

IN BRIEF

The UK section of the International Solar Energy Society is to hold a one-day technical meeting on Wednesday, July 12. Solar thermal power generation is the theme of the discussions which will take place at the Royal Institution, 21, Albemarle Street, London, W1. Further information from UK-ISES, 19, Albemarle Street, London, W1 (01-493 6801).

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HEATING

Watches the flames

A SYSTEM for supervising continuously operating boiler burners in industry has been introduced by Landis and Gyr of North Acton, London, which claims it is the first to receive approval from the Gas Council.

Comprising a flame guard and flame detector, the system is called Detactogyr and can be used for supervising oil burners, gas burners and dual-fuel burners, and also with manually operated burners. In combustion plants where heat production must be maintained, an active redundancy circuitry can be achieved in the event of failure of the flame supervision controls, says the company.

Laboratory burner

SIMPLE to operate and needing no special training, is a portable laboratory burner with its own energy source, called Labogaz.

Introduced for use through the medical field, pharmaceutical and veterinary surgery and for dental mechanics, opticians or soil analysis, there are three component parts—a chromium plated brass burner fitted with perforated stainless steel head, a jet/tap unit and a pressed steel body which houses a butane cartridge.

The burner weighs 590 grammes and measures 19 cm by 9.9 cm. With a burner off-take of 60 grammes an hour at an ambient temperature of 20 degrees C it gives approximately 34 hours burning time from the disposable C200 cartridge. More from Camping Gaz (GB), 126-130, St. Leonards Road, Windsor, Berkshire. Tel: Windsor 550117.

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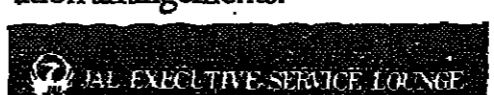
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Further from the company at 1281, Stratford Road, Hall Green, Birmingham. 021 777 8761.

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FT 23

THE JOBS COLUMN

How to pick the people who can do the work

BY MICHAEL DIXON

READERS acquainted with America will know there was nothing hollow about this column's early warning that use of generally stated educational gradings as criteria for job-selection is potentially illegal in the U.K. I refer to "qualifications" such as five pass grades at the Ordinary level of the General Certificate of Education, two at Advanced level, or a degree.

These can easily be shown to be held by a significantly smaller percentage of, say, the West Indian community than of the population at large and, very likely, by a smaller share of women than of men.

Consequently the use of such gradings as employment criteria is open to challenge as indirectly discriminatory under the equal opportunity Acts covering race and sex.

To refute the challenge, the recruiter would have to show how these criteria were relevant to the successful accomplishment of the work in question. And even if in that filing cabinet right over there—have more than enough evidence to show they cannot be relevant.

The reason is that the difficulty of obtaining a pass grade in GCE clearly varies with

subject and, although less clearly, with the Board controlling the examination. Degree awards also plainly vary in difficulty with subject and evidently with university as well. So "five O levels" and such-like cannot signify a standard attainment of anything.

Facing a challenge a recruiter might, I suppose, argue that the criteria were relevant, not to the work, but to success in some college-supplied course of training that was relevant to the work. But a determined challenger could then surely demand to be shown how the training course was essential to adequate job-performance and how the criteria were relevant to the training course.

Metaphysics

In the end the recruiter might win the argument, especially if assisted by a snappy metaphysician. But there do not seem to be many of those around (for example, I can't lay my hands on anyone to explain how Epicurus and his gang decided a thing's appearance must be estranged from its essence—which is much the same sort of question).

Besides, becoming involved in such a challenge with a determined and scrupulously informed plaintiff, would surely imply litigation of a length that

would set the average lawyer polishing his spectacles in avaricious glee.

Bewildering goings-on of this sort follow naturally from the recklessness of starting to legislate against inappropriate discrimination according to only some of human beings' many characteristics. Thereafter, less discrimination by sex inevitably leads to more discrimination by class and so on until one is morally obliged to have a separate Act and attendant bureaucracy to guard against unjustified discrimination by anything.

Should readers still need convincing that every employer ought to institute a radical review of selection procedure, they have only to take a look at developments in the United States, which is a bit farther along the slippery slope than the UK has slithered so far.

The Police Bureau of Richmond Virginia, for instance, has apparently now been forced to concede that its staff shall not be assessed for promotion by any direct employee of, not just the bureau itself, but the whole city corporation. As a result, \$85,000 is being spent on assembling and training around 35 external assessors to run the cops over the promotion hurdles under the direction of an independent company called Psychological Consultants. And

thereby hangs a series of coincidences.

Psychological Consultants' chief executive is Professor Bob Filer of the University of Richmond. And I met him last week. And he happened to have sold the company to the Inbucon consultancy group. And it happened to be holding meetings of senior manpower managers in its London headquarters, to discuss systems of selecting people for recruitment and promotion which will probably remain legal under the equal opportunity Acts.

More effective

Happily, the systems—known in the jargon as assessment centres—also promise to be more effective than traditional methods in identifying people who are actually capable of doing their job well. The best illustration of the principle was supplied by Inbucon's own selection officer, Ray Jeffery, in the following words:

"If you want a good cricketer, you don't call for candidates' educational certificates or give them psychological tests or have them interviewed by a personnel officer. You send a skilled observer who knows the game to watch them playing cricket." Hence the assessment-centre procedure which starts with analysis of the work involved

in a particular managerial-type post, to determine which abilities are more or less required for success. The analysis is converted into a list of "dimensions," for example:

"Leadership. — Effectiveness in bringing a group to accomplish a task and in getting ideas accepted. Commands attention through respect and personal accomplishment."

"Planning and organising. — Effectiveness in planning and organising own activities and those of a group. . . ."

The next step is to design a series of managerially lifelike exercises during which candidates' behaviour will reveal their ability to measure up against each of the listed dimensions of the job.

Then one obtains a team of trained observers. Managers already in a company can usually be given sufficient skill in a week, I'm told.

The last step is to find some empty rooms, or book a hotel, and make the assessment centre happen. The observers watch and note the candidates' performance in the exercises over a couple of days. The observers then get together to decide who is most suitable for appointment or promotion. Where appropriate, the conclusions can be discussed with the can-

didate with the aim of determining each individual's needs of training.

Like virtually everything else, of course, the assessment centre system is capable of being used stupidly.

If, for example, the "dimensions" are drawn up so as to clone the jobs' present incumbents, instead of related to the employing concern's prospective development, the new system is likely to prove merely an extra-efficient means of hammering managerial nails into the corporate coffin.

A business recruiting senior people needs to take account of its position in the market," said Len Brooks, Inbucon's managing director. "Say it's coming-up against a period of static demand, like the food industry is expecting. Then it ought to gear selection to whether it plans to diversify, expand overseas sales, or sit tight and reduce costs."

All the same, the new system offers a means to select by working ability, rather than by social acceptability to the established caste. Perhaps that is why, as Professor Filer said, President Marcos of the Philippines has downgraded his civil servants on to temporary appointments pending recruitment to permanent jobs by assessment centre methods.

Corporate Finance

c. £10,000

One of the largest financial institutions in the City of London seeks a young and ambitious person to join its Corporate Finance team which provides top management with back-up in projects, new business, financing and corporate finance. Remuneration package, which includes exceptionally attractive pension scheme and house mortgage subsidy, negotiable around £10,000 a year. Preferred age 24-28.

Candidates will be Chartered Accountants, and perhaps honours graduates, with at least 12 months post-qualification experience, ideally in the corporate finance function in the City or in industry. An analytical mind, application and sound financial judgement essential. Progression to general management and indeed to an executive position in the Group is open to those demonstrating leadership and creativity.

For a fuller job description, write to W.T. Agar, John Courtis & Partners Ltd., Selection Consultants, 78 Wigmore Street, London W1H 9DQ, demonstrating your relevance briefly but explicitly and quoting reference 2038/ET. This is an equal opportunity appointment. Replies will be treated in strict confidence.

JC&P

Personal Investment Schemes—
Can You Successfully Market Them?

c. £10,000

Our client is part of a major financial group, which covers most aspects of fund and investment management. It has recently expanded very rapidly through skilful, professional marketing, careful design of its funds to take account of financial and taxation conditions, and its professional reputation.

The Board has now decided to recruit a Senior Manager, preferred age 28-40, to develop business within the Professions (accountants, lawyers, insurance brokers) in London. This will involve not

just selling a range of funds, but advising on their individual relevance to investors, making allowance for all their personal circumstances.

To be considered, you should have an understanding and experience of both investment management and marketing. This could have been gained in a similar organisation, stockbroking, or banking.

The terms are very attractive, including profit sharing, and reflecting specific experience, and there are excellent prospects of further promotion.

Please contact Peter Wilson, F.C.A., in strict confidence, at Management Appointments Limited, Albemarle House, 1 Albemarle Street, London W.1. (Tel: 01-499 4879).

Management Appointments Limited

Tax & Investment Analysis

Manufacturing group from £10,000+car

The group has manufacturing and marketing interests in both the UK and overseas and has close links with a major European organisation. It is now at that stage where the Group Financial Director must appoint a senior executive to help him if the plans for future growth are not to be held up. Emphasis will be on taxation and investment analysis but the post will also cover cash management, budgetary control and monitoring of results from subsidiaries. It represents an excellent opportunity for the ambitious man or woman to join a growing organisation with the possibility of promotion later on. Applications are invited from chartered accountants, aged 30-40, holding a degree in Commerce, Economics or Law. They must have a broad knowledge of Commercial and Tax Law with

experience in investment analysis. An understanding of manufacturing industry gained from within is essential. The head office is in the North West and generous help will be given with removal costs if necessary. Salary will be negotiated to attract the right person and a car is provided.

PA Personnel Services Reference AA27, 6-42 FT. Initial interviews are conducted by PA Consultants. No details are divulged to clients without prior permission. Please send brief career details or write for an application form, quoting the reference number on both your letter and envelope, and advise us if you have recently made any other applications to PA Personnel Services.

PA Personnel Services

Hyde Park House, 60a Knightsbridge, London SW1X 7LE, England. Tel: 01-235 6060 Telex: 27874



A member of PA Group

Group Financial Controller

c. £15,000

A well known and profitable British public group is an acknowledged leader in its specialised field of chemicals. Turnover is currently in excess of £40m, and its product range has wide applications throughout manufacturing industry. The new post of Financial Controller is being created, with responsibility to the Managing Director for the continuous review of the financial, management accounting and information systems used within the group, and for profit planning, internal audit, cash management and capital budgeting. This appointment requires an ACA or ACMA in his or her mid 30s who is thoroughly conversant with management accounting in its broadest sense and with the use of computers to produce accurate and timely information for top management. Relevant experience in a

technically based process environment is clearly important, since the task will involve introducing a common thread where a standard approach is unlikely to be appropriate for all subsidiaries. Earnings, including incentive will be of the order of £14-15,000 and other conditions are attractive. Location: London.

PA Personnel Services Ref: AA3, 6-41 FT. Initial interviews are conducted by PA Consultants. No details are divulged to clients without prior permission. Please send brief career details or write for an application form, quoting the reference number on both your letter and envelope, and advise us if you have recently made any other applications to PA Personnel Services.

PA Personnel Services

Hyde Park House, 60a Knightsbridge, London SW1X 7LE, England. Tel: 01-235 6060 Telex: 27874



A member of PA Group

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The Profession (P. 1, sec.)
101/01/01-3-74-25000
Business & Industry (P. 1, sec.)
101/01/01-3-74-25000
Tel: 01-638 3833 4 hours

Charles Barker
Confidential Reply ServiceGulf
Merchant Banker

A major International Banking Group is seeking a young Merchant Banker for its Gulf based Merchant Bank. Applicants should be Chartered Accountants with at least two years Merchant Banking experience preferably in medium term lending. They should be between 25-28 years and prepared to live and travel in the Middle East.

Please reply with full C.V. to the Security Manager, quoting reference 1469.

WARDLEY MIDDLE EAST LIMITED

Wardley Middle East is the merchant banking arm of The Hongkong Bank Group in that area. Based in Dubai, it operates throughout the Middle East, and in particular in those countries where The British Bank of the Middle East, another member of the Group, is represented.

Wardley Middle East is expanding its activities and is now seeking to recruit two young graduates and/or professionally qualified persons for its Dubai office, for an initial tour of two-three years' duration. Candidates will preferably have some merchant banking experience, particularly in the fields of corporate finance or medium term lending.

An attractive salary will be paid, together with free housing, annual home leave, and other benefits normally provided by a major international group.

Applicants should write in confidence to:

The Personnel Manager, The Hongkong and Shanghai Banking Corporation, 99 Bishopsgate, London EC2.

Interviewing will take place in London.

Advanced Manufacturing Electronics

Substantial Five Figure Salary

Our client, a major electronics group, is embarking on a programme of automating its manufacturing processes and procedures. In addition, the transfer of advanced electronics technology from development into manufacture is a difficult nut to crack—the major challenge of this appointment.

Reporting to the Director of Industrial Engineering and Manufacturing, the new Manager will be responsible for all Industrial Engineering and Production Engineering at a group level. The group employs in the region of 12,000 people at a total of some 12 sites spread throughout the U.K.

The ideal person will have experience of Industrial Engineering at a senior level in a high technology environment. A strong engineering base is seen as a prime requirement. We will be looking for high analytical

abilities plus the management skills a job of this nature demands. In addition to these personal characteristics, business and financial skills are of great importance as the Manager, Industrial Engineering will be responsible for a major investment programme. Age: not over 45.

The job is based in Southern England and the remuneration package will attract candidates with the right international track record. If you feel that you can match this very exacting brief, phone Geoffrey King, Managing Director, who has been retained to advise the company on this appointment. At this stage all approaches will be treated in the strictest confidence. Please quote reference MLE.

This position is open to both men and women.

Cambridge Recruitment Consultants

9 Brunswick Walk, Cambridge CB5 8DH. Telephone: Cambridge (0223) 311316.

MANAGEMENT CONSULTANCY
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A consultancy company requires to recruit a small team of specialists to carry out a wide-ranging assignment for its client, a major steel corporation.

If you feel that your experience would enable you to promote, design and implement systems successfully in the areas of:

FINANCIAL & COST ACCOUNTING
MANAGEMENT INFORMATION
INTERNAL AUDIT & BUDGETARY CONTROL
O&M
TRANSACTION PROCESSING BY COMPUTER
GENERAL ADMINISTRATION

and if you have a depth of experience in the steel environment, together with outstanding ability in your chosen field of specialisation, you would find this challenging assignment of great interest. You would also require to be diplomatic yet forceful and would expect to work with a high degree of autonomy under pressure in testing conditions.

You are likely to be 30 to 45 years old with a degree and/or a professional qualification. Interviews will be held in U.K. from 8 June. Please apply in writing without delay enclosing a comprehensive resume of qualifications and career to date, to:

R. R. HARBORD
49 Winchester Street, London, S.W.1

CHIEF ACCOUNTANT

Required for Lloyd's Brokers who are members of the Jardine Matheson Insurance Brokers' Group of Companies.

The successful applicant should be qualified and experienced in Lloyd's Insurance Brokers' accounts.

Age preferred 35/35 years.

Location: This position will be based in Chelmsford, Essex, where the financial services of J.M.I.B. are situated. Some travel to the City will be essential with the possibility of limited overseas travel.

Duties: The Chief Accountant will be responsible for reporting directly to the Managing Director on the trading and management accounts.

Salary: By negotiation subject to age and experience. Benefits: Bonus, 50p per day L.V.'s, Group Pension Scheme/Permanent Health Cover.

Interested applicants should, in the first instance, write for application form to:—

T. Monaghan, Financial Director,
Jardine Matheson Insurance Brokers Ltd.,
Elizabeth House, 28 Baddow Road,
CHELMSFORD, Essex CM2 0EH.

مكتبة العمل

Financial & Administrative Co-ordinator

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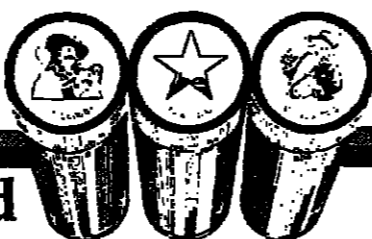
Scottish & Newcastle Breweries Limited is one of the country's most progressive brewing groups, laying considerable stress on professional management at all levels. Accordingly, the above post has been created in order to co-ordinate all the administrative support systems throughout a major brewing complex, including accounting, production control and industrial engineering. It should therefore appeal to senior managers with a background in one or more of these areas.

The job specification demands considerable expertise in information systems design and administration, planning and data analysis. Man management skills will also be vital, especially in the co-ordination of the work of functional experts on multi-discipline projects and objectives agreed by the General Manager. The holder will be a member of the Complex Senior Management team and will be expected to provide advice and support to the General Manager throughout the whole range of accounting and administrative activities.

It is anticipated that applicants will hold a degree and/or a professional qualification in a relevant numerate discipline but it is essential that they are able to demonstrate a job history which includes proven administrative achievement in a manufacturing environment with line responsibility for accounting and industrial engineering functions.

A generous remuneration package includes company car, non-contributory pension and life assurance schemes. Please send a full curriculum vitae to:

A W Savage Esq
Group Selection Manager
Scottish & Newcastle Breweries Ltd
Gilmour Park
EDINBURGH EH3 9SB



Scottish & Newcastle Breweries Ltd

BUCKMASTER & MOORE

Opportunity to enter Stockbroking

Buckmaster & Moore, a major firm located in the Stock Exchange, are in a position to offer several opportunities to those seeking to enter a career in Stockbroking. The persons appointed will be given a comprehensive training in a stimulating environment and every encouragement to develop a career in one of our specialist stockbroking departments, most suited to their talent and ability.

These important openings are at various levels and candidates should be educated to 'A' level or degree. Candidates with two to three years' successful experience in industry or finance. Applications from professionally qualified candidates are also welcome. However, most especially they must be enthusiastic, self-motivated individuals with the initiative and positive attitude to make a success in this demanding field.

Salary and benefits are those associated with a major firm. Please write, in confidence, with details of age, education and career to date to:-

G. Risdon, Administration Partner,

Buckmaster & Moore

The Stock Exchange, London EC2P 2JT

Lease Management

c. £15,000 + car

Still comparatively new in the U.K., equipment leasing is expanding faster than any other form of external financing. Our clients are one of the established leaders in the field—a successful, vibrant private company with a young management team. The prime activity is the leasing of commercial vehicles, but other capital equipment is involved. As part of their planned programme of expansion they see the next stage of their development being the creation of a London based Finance Company utilising their expertise and market position as a springboard into the financial world.

The Manager will be actively involved in setting-up and quickly establishing this new venture on sound commercial lines. Primary objectives will be the raising of finance for the funding of leasing and H.P. agreements and the overall direction of a team of leasing sales executives.

The ideal person will be someone with leasing and banking experience, contacts and respectability in the city, and looking for the opportunity to create a successful, expanding profit-centre.

Initial remuneration will be negotiable around £15,000 p.a. There will be an additional substantial commission area, prestige car and excellent future potential and prospects.

Please telephone John Swift, PER Manchester (061) 236 9401 EXT 66
Applications from both men and women are welcome.

HOARE GOVETT LTD.

Investment Adviser

BANK DEPARTMENT

Hoare Govett Ltd. have a vacancy in the Bank Advice Section of their Private Client Department for an experienced Investment Adviser. He or she should ideally have had a minimum of three years' experience in a similar position and be more than 25 years of age.

Salary would be commensurate with age and experience.

Applications, which will be treated in strict confidence, should be addressed to:

The Secretariat,
Hoare Govett Ltd.,
Atlas House,
1, King Street,
London EC2V 8DU.

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London EC2

c.£7,500 + Benefits

A recognised market leader in the oil industry, our client is one of the world's largest industrial companies with the scale and complexity of their worldwide operations presenting a constant challenge to the tax function.

Promotion creates the opportunity for a qualified accountant or graduate with Revenue experience to join a department offering a breadth of involvement in corporate tax and the opportunity for structured career development.

Candidates, probably aged in their mid-20s, should demonstrate the potential to progress to a management position in 2/3 years. They should have a year's corporate tax experience although candidates with less who are considered to have exceptional potential will be considered.

Information on the company and the appointment will be provided during the initial interview programme. For a personal history form contact Nigel V. Smith, A.C.A. quoting reference 2045.

Commercial Division

Douglas Lambias Associates Ltd.

Accountancy & Management Recruitment Consultants,
210 Strand London WC2R 0E2 Tel: 01-836 9501
121, St Vincent Street, Glasgow G2 5JW Tel: 041-225 2101
4, Colston Place, Edinburgh EH3 7AA Tel: 031-225 7744



Reed Executive

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The projects you will be engaged on with this worldwide manufacturing group will encompass the entire financial spectrum, including acquisition appraisals, locum management duties, systems development and operational unit investigations. These will provide opportunities to visit such places as the Americas, Far East, Africa and Europe. Age is less important than flexibility and mobility, communicative ability and strength of personality. You will be a Qualified Accountant with several years wide industrial experience, possibly including some in consultancy. Previous overseas involvement and spoken French or Spanish would be helpful but is not essential.

Telephone: 01-836 1707 (24 hr. service) quoting ref: 0460.FT. Reed Executive Selection Limited, 55-56 St Martin's Lane, London WC2N 4EA.

The above vacancy is open to both male and female candidates.

London Birmingham Manchester Leeds

PARTNERSHIP SECRETARY

DONALDSONS, CHARTERED SURVEYORS

of 70 Jermyn Street, London SW1Y 6PE

Applications, addressed to the Senior Partner, are invited for the position of Partnership Secretary.

Candidates should have an accountancy qualification, be aged between 35 and 50, preferably have had practical experience in administration, with particular reference to Partnership Law and Employment Legislation, and be available on or before 1st September 1978. Knowledge of the surveying profession would be useful, but not essential.

Salary: In the region of £10,000 per annum initially, plus car.

Financial Controller

Surrey

up to £10,000

For an international manufacturing company, a market leader in its own field, with turnover exceeding £500m. A young Management Accountant is needed in a new post to assist in the rapid growth of a European division.

You will apply your creative financial skills to:
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The company will use your ability to the full, offering rapid promotion and exceptional career development.

Aged 28-35 you will be a qualified Management Accountant or MBA with a finance specialism, and must have experience of computerised financial systems in a large industrial concern. Business French would be a great advantage.

If you want to realise your potential in a dynamic business environment please contact: Barbara Bailey, London (01) 235 7030. Ext. 210.

Applications from both men and women are welcome.

STOCKBROKING

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28-32, with at least 2 yrs. relevant exp. and the aim for future Partnership to assume responsibility for established sector with major firm.

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20-25, with 1-3 yrs. equity exp., French and/or German, to join expanding international dept. of well known firm.

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23-26 Graduate with 1-3 yrs. financial investment research exp. and good verbal ability to assist Senior Analyst and then take over coverage of small group of c.s. for top firm.

OIL ACCOUNTANT

A leading multi-national oil co. urgently requires two qualified accountants (28-35), working in the sales, marketing and distribution dept. Candidates must have had previous oil or contracting experience. Excellent career prospects.

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FOR SAUDI ARABIA

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CONCORDIA

20, Westbourne Park Villas, London W2 5EA

Treasury Management

Major International Bank

An attractive career opportunity has arisen within our Client's expanding Treasury Division which has a reputation for the provision of high-quality advisory services to leading multinational companies.

Candidates, aged 25-30, should have a degree or professional qualification and a sound practical grasp of applied economics. At least two years experience in an international environment is required.

The position will involve regular client contact at senior management level and qualities of self-motivation and maturity are considered essential.

A competitive salary will be augmented by substantial benefits and excellent prospects for further advancement.

Contact A. J. Tucker MA, AIB, in confidence on 01-248 3812.

NPA Recruitment Services Ltd.

60 Cheapside London EC2 Telephone: 01-248 3812/3/4/5

Group Financial Manager

Jefferson Smurfit Group Limited

The Group is primarily engaged in paper, packaging and print, operates internationally and is a leader in many of its fields of activity. It employs approximately 9,000 people, has a turnover in excess of £200m, and has a very successful growth record: earnings have increased by more than 30% per annum on a compounded basis over the last ten years. It is well structured, decentralised, and is run by a strong group of independent professionals who work together well as a team. The Group Financial Manager will be wholly responsible for Group accounting, legal and secretarial matters. This will include the treasury function, effective financial control, cash management and imaginative tax planning.

The successful candidate will currently hold a senior financial position in a multinational company and will have had several years' first hand experience of international operations and of working in a multi-currency environment. Probably at the lower end of the 35 to 45 age group and comfortable operating directly with profit centre managers vigorously pursuing their own sectoral achievements, the functional responsibility of finance transcends all other disciplines within the Group. Ideally, a graduate chartered accountant with some foreign language capability, though outstanding experience could be more meaningful than specific academic qualifications. Demonstrable success over a period would probably result in a main board directorship.

Salary is for discussion around £20,000 and benefits are fully appropriate. Location Dublin.

Please write—in confidence—to H. W. J. Flannery ref. B.53177.

This appointment is open to men and women.

MSL IRELAND LIMITED

MANAGEMENT CONSULTANTS

49 UPPER MOUNT STREET DUBLIN 2

Financial Controller (DIRECTOR DESIGNATE)

London

c. £10,000 plus Car

A Financial Controller is required for the house building division of a highly successful group. The division is growing rapidly, is effectively managed, and is implementing advanced control procedures. This appointment gives the opportunity of involvement in both financial management and the broader aspects of the business.

The successful candidate will be a qualified accountant, probably aged 28-35, with construction site experience almost certainly gained in house building. Reporting to the Managing Director he/she will have overall responsibility for financial and management accounting and the implementation and development of computer based control systems. Success in this position will lead to a Board appointment.

The initial salary will be about £10,000. A car will be provided and other benefits include a contributory pension scheme. Candidates should apply in confidence giving personal details and an outline career history quoting Reference: FT/158/F to:-



Turquand, Youngs & Layton-Bennett, Management Consultants, 11 Doughty Street, London, WC1N 2PL

Jonathan Wren - Banking Appointments

The personnel consultancy dealing exclusively with the banking profession

OIL BANKER

£7,000-£10,000+

Our client is a major international bank, long established in London. The bank is currently expanding its energy financing services, creating a career opportunity for a candidate satisfying all or most of the following criteria:-

1. Aged between 27 and 35;
2. Holding a degree in either Economics or Business Administration;
3. Having several years' international banking experience, which should include a sound credit background and experience in the marketing of bank services to both existing and potential clients;
4. Possessing in-depth knowledge of oil and related industries; and
5. preferably having both written and oral fluency in at least one European language.

The salary bracket indicated will not be a constraint in the case of a particularly experienced candidate, as there is considerable scope for flexibility in making this appointment.

CONTACT: Sophie Clegg, or Kenneth Anderson

PENSIONS/BENEFITS ADMINISTRATION

£ Negotiable

This vacancy occurs within the Personnel Department of a leading merchant bank (Member of the Accepting Houses Committee). The bank wishes to engage a person who has substantial experience to offer in the field of Fringe Benefit Administration, and who, in particular, can show a creative approach to the tailoring of individual pensions while working in conjunction with professional advisers. The successful candidate will work within a professional personnel team and will receive a generous salary commensurate with experience.

CONTACT: David Grove, or Kenneth Anderson

170 Bishopsgate London EC2M 4JX 01-623 1266/7/8/9

CORK SAVINGS BANK

GENERAL MANAGER

The Cork Savings Bank, established in 1817, provides a wide range of banking services from its Head Office in Lapp's Quay and eight branches in Cork City and County, and now has funds in excess of £60 million.

The Board of Management wishes to appoint a successor to the General Manager who is due to retire shortly. This position of Chief Executive of the Bank is of major significance, responsible to the Board for the management of the Bank's operations and services.

The successful candidate must be capable of continuing the development of the Bank's growth and of expanding its services in line with the widening possibilities created by membership of the European Economic Community. The position demands wide administrative experience and a successful record of achievement in general management.

An attractive salary will be negotiated in line with the importance of the position and fringe benefits include non-contributory pension and car. Relocation expenses will be paid.

Please write, in strict confidence, giving brief details of career to date and quoting Reference No. 1595/O to E. Johnson at Harcourt House, Harcourt Street, Dublin 2.

Stokes Kennedy Crowley

MANAGEMENT CONSULTANTS

DUBLIN, BELFAST, CORK, & LIMERICK.

Financial Controller
HOTELS GROUP—MIDDLE EAST

High negotiable salary tax free

Our Client is a well established company in the Middle East now diversifying into Hotels and their Management. Two will be completed next year, three more are already planned and others will follow.

The Financial Controller will

- act for the Client and be fully responsible for accounts and reporting for hotels under construction
- provide feasibility studies on further expansion
- establish sound accounting and control systems
- help to maximise profits from hotels which are operational.

This appointment offers the right man a first rate opportunity to enter an expanding Hotel operation at its inception.

Applicants should be fully qualified

Accountants with a minimum of three years experience at senior level in the Hotel Industry. Experience in property development and of operations in the Middle East or other developing countries would be added advantages. Age under 45.

A high salary, tax free in the Middle East will be negotiated. Furnished married status accommodation, servant, car and all running expenses will be provided free. Home leave entitlement and air fares include family. Suitable Schools are available for up to 9 year olds. Medical care is free and hospitals are modern and of high standard. Please write stating age, current salary and how you meet our Client's requirements, quoting FCH/3942/FT on both envelope and letter. No information will be disclosed to our Client without your permission.

Urwick, Orr & Partners Limited

Baylis House, Stoke Poges Lane, Slough SL1 3PE, England

Financial Controller

West Midlands

c. £8,000 + car

Our client, a well known British medium engineering group with a turnover of £20m, requires an experienced Financial Controller to supervise the operations of its four foundries. As a key member of the team, the person appointed would be directly accountable to the Group Chief Accountant for maintaining and improving the management and financial control functions within the four units. Candidates must be qualified accountants, preferably with a good working knowledge of French and previous experience of the foundry industry. The salary will be negotiable c. £8,000, a

company car will be provided and there are excellent terms and conditions of employment. Assistance will be given with relocation expenses where applicable. (Ref: B9540/FT)

REPLIES will be forwarded direct, unopened and in confidence to the client unless addressed to our Security Manager listing companies to which they may not be sent. They should include comprehensive career details, not refer to previous correspondence with PA and quote the reference on the envelope.

PA Advertising

6 Highfield Road, Edgbaston, Birmingham B15 3DJ Tel: 021-454 5791 Telex: 337239



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OVERSEAS DEVELOPMENT

KNOW-HOW: vital to developing countries

Regional Economist

Indonesia

To be member of team to assist Directorate of City and Regional Planning in developing alternative growth strategies for Surabaya sub-region; particularly with cost analysis; impact on employment and housing, and demand for transport facilities; analysis of Government policies; economic valuation of alternative strategies; and to evaluate total fresh vegetable, fruit and meat requirements. Applicants 28-50 must have Doctors/Masters degree in Economics with an engineering background and minimum of 5 years experience in project appraisal, regional planning, including urban and rural.

Appointment 1 year. Salary (UK taxable) £8,500-£10,500 p.a. plus overseas tax free allowance £2,010-£4,220 p.a. (Ref 328X).

The post is wholly financed by the British Government under Britain's programme of aid to the developing countries. In addition to basic salary and overseas allowances other benefits normally include paid leave, free family passages, children's education allowances and holiday visits, free accommodation and medical attention. Applicants should be citizens of the United Kingdom.

For full details and application form please apply, quoting reference stating post concerned, and giving details of age, qualifications and experience to:-



Appointments Officer,
MINISTRY OF OVERSEAS DEVELOPMENT,
Room 301, Eland House,
Stag Place, London SW1E 5DII.

HELPING NATIONS HELP THEMSELVES

Charles Barker
Confidential Reply Service

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Unique Opportunity
in
Financial Analysis
Merchant Banking
Not less than £8,000 p.a.

Our client, a leading London merchant bank, requires an experienced Financial Analyst to fill an unusual and challenging role.

In the first instance the successful applicant will join the bank's highly-regarded Investment Research Department. He or she will progress within a short space of time to join a new unit being created within the bank to give strategic economic and financial advice to corporate clients. This advice will be tailored to the specific requirements of the client and will be supplied on a confidential basis. For the right candidate the prospects for promotion are excellent.

Candidates should be aged between 27 and 30, have a good first degree and, ideally, an M.B.A. or other numerate post-graduate degree. They should, in addition, have had at least 2-3 years' experience in industry or commerce, perhaps within a corporate planning or treasury department. Familiarity with the use of computers would be an advantage.

Salary is negotiable according to experience but will not be less than £8,000 p.a. Benefits include a non-contributory pension and life assurance scheme, 4 weeks' annual holiday, free luncheon facilities and a house mortgage subsidy scheme.

Please reply with full c.v. to the Security Manager, quoting reference 1474.

TAXATION
ACCOUNTANT

London

From £7000 + Car

This is a career appointment at the Central London Headquarters of a major British Engineering Group. Planned expansion dictates the recruitment of an additional qualified accountant, ideally with at least two years post qualification experience and a sound corporate tax background, to augment their existing team. Duties will include the calculation of tax provisions and the preparation and agreement of computations for a Group of U.K. subsidiaries as well as involvement in varied tax planning exercises.

In addition to salary, the generous benefits which will include re-location assistance, where appropriate, are those associated with a forward looking major group. Applications in confidence should be made to the Group's Advisor I.M.G. O'Hare, 124 New Bond Street, London W.1 Tel: 01-4091371

MANN
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The appointment demands a good honours degree in Mechanical Engineering, many years previous experience of continuous petrochemical process plants and some direct experience of industrial relations. The person selected will already be a trained professional. Career prospects are first class.

Salary will be negotiable but is unlikely to be less than £10,000 plus a car and there can be other substantial benefits. Any major relocation costs will be paid in full. Please write briefly to the Group Personnel Manager,

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Must have a minimum of five years related work experience in planning and scheduling using critical path analysis. Must have a thorough knowledge of network based scheduling systems and be familiar with data processing and scheduling software packages.

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A major role within a public company with a world wide reputation for technical excellence whose products are extensively used at home and abroad. Responsibility will be to achieve profitable results by the effective use of resources with particular emphasis on improved productivity through mechanisation. Applicants with appropriate qualifications will be able to demonstrate a record of successful

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J.C. Brown, Ref: 31350/JT.

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GERMAN GOVERNMENT INTERNATIONAL

5½ Per Cent Loan, 1930

STERLING BONDS

Further to the notice of redemption concerning the above bonds which was published on 27th April 1978 the Government and Company of the Bank of England announce that the German Government Bonds which were issued by lot for redemption on 1st June 1978 and Coupon No. 51, in respect of six months' interest due on 1st June 1978 are payable at the following rates:

Nominal amount	Actual amount at which Bonds are payable
£1,000	£1,038.52
£500	£519.26
£250	£259.63
£125	£129.81

The above values for the Bonds and Coupons have been established by the Bundesrechnungswesen, with reference to paragraph 1(c) of Article 13 of the German Exchange Law of 1930, and by recalculating the sterling amounts due to bondholders on the basis of the middle rate of exchange for sterling against the Belgian Franc ruling for cable transfers in Brussels on 1st June 1978.

The Trustee has advised the Bank of England that it is unable to agree with the view of the Bundesrechnungswesen that for the purposes of the exchange guarantee, the Belgian Franc current rate of exchange should be 11.36 francs to the pound sterling, as decreed in 1930. The rights of bondholders to any additional amount which may be payable on the redemption of the Bonds and Coupons due 1st June 1978 are preserved for payment or not, in view of the possible adjustment of the rate of exchange of the franc against the pound sterling. Collecting Agents should retain details of the holders of German Government Bonds for redemption on and after 1st June 1978, and should also retain details of the holders of Coupons for redemption on and after 1st June 1978.

1st June 1978. BANK OF ENGLAND

IRELAND 9½ 1975/1982 UA 25,000,000

On May 16, 1978, Bonds for the amount of UA 3,125,000 have been drawn for redemption in the presence of a Notary Public. The Bonds will be reimbursed coupon No. 4 and following attached on and after July 7, 1978. The numbers of the drawn Bonds are as follows: 19,722 to 22,846 incl. Amount outstanding: UA 21,875,000. Luxembourg, May 31, 1978.

THE FISCAL AGENT
KREDIETBANK
S. A. Luxembourg

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As a result of increased demand for our Investment Management services we wish to expand our investment research department.

We are seeking two experienced investment analysts whose responsibilities will include:

- identifying potential investment opportunities in the U.K.,
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- producing written reports and liaising with fund managers.

A competitive remuneration package will be offered.

Applications with curriculum vitae and details of present salary should be forwarded to:

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We are International Executive Search Consultants with offices in London and have been retained by an important Middle Eastern Financial Institution to identify an Arabic speaking Credit and Marketing Officer. The successful candidate will report to a Credit and Marketing Team Leader and will be responsible for handling an assigned Loan Portfolio and for establishing marketing objectives and programmes.

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As our client is anxious to attract an individual of outstanding character and competence, the salary will be commensurate with his experience and the required skills. In addition there will be a generous range of fringe benefits.

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The successful candidate should be able to demonstrate a proven record of achievement in financial control and auditing preferably in an international environment. He should be an ambitious type with ingenuity in finance. The salary which is negotiable will be of interest to those earning £12,000 or more.

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has VACANCIES for

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Financial Times, 10, Cannon Street, EC4P 4BY.

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- * Labour laws
- * Company law

Since the successful candidate will work closely with both the operating departments and the Corporate Tax Counsel, the position gives the opportunity to gain further familiarity with European and United States tax laws.

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Interviews will be held in Europe in June and July.

Address replies, including salary history, to:—

Dr. William W. Fain, President,
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Applications to Miss Marion Williams

Reginald Welsh & Partners Limited.

Accountancy & Executive Recruitment Consultants
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Please send full career details and full details of your present position to: Charles Barker, Confidential Reply Service, 100, Old Broad Street, London EC2N 1AB.

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For a major manufacturing company in the Midlands with turnover exceeding £20 million and considerable potential at home and overseas. The Company forms part of a highly successful British owned international Group.

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Salary would not be less than £11,000 with an attractive benefits package including a Rover car and generous relocation expenses. There are opportunities for further career development. Reference 1475

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International financial organization requires experienced financial writer, to write comprehensive economic analyses, in reportorial style, on the various principal industrial countries, on a per article basis. The organization will provide the research material required to write the articles, to be written about various countries, as designated, bi-monthly, the articles to be written about a single country, in each case. The successful applicant will have a background in international financial reporting. The fee for writing each article, of approximately two thousand words, is £100.

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Bleak outlook for UK economy in 1979

A GLOOMY outlook for the UK economy in 1979 after a brief recovery in demand and output this year is predicted by the National Institute of Economic and Social Research in its latest quarterly review, published today.

The balance of payments constraint upon re-expansion was not confined to Britain, though with floating exchange rates it was more difficult than it used to be for countries to reflate unilaterally because of fears about the impact of depreciation.

There was a need for a co-ordinated programme by all the major countries, with the

onus of adjustment on the surplus economies.

However, in any move there might be a collective reflation, the UK contribution will have to be judged in the light of the likely rapid expansion in real consumers' expenditure this year, and in the light of the UK's apparently chronic high demand elasticity for imports and the low elasticity of world demand for UK exports.

The institute warns that without a further fiscal stimulus, consumer demand will virtually cease to rise next year, private investment is likely to slow down and

public spending will continue to grow only slowly.

There was likely to be a slow increase both in unemployment and in the rate of consumer price inflation.

The appraisal section of the review, however, underlines the strong external constraints on a further stimulus.

It notes that "in the longer run, the policy problems remain those of pay inflation put in the face of a still precarious balance of payments improvement."

"The slackening of demand which we foresee in 1979 would seem to call for further

stimulus later this year, but any such stimulus would reverse the current balance surplus, with the risk of driving down the exchange rate further and exacerbating the rise in inflation."

"The means that even in a programme of collective world reflation, the UK could not do much further than it has done already without a significant effective devaluation; other ways of raising the balance (which is already, aside from oil, in chronic deficit) could well deteriorate further."

The review discusses the experience under a regime of floating rates. It was by no

means clear whether the implicit accommodation of differential inflation rates by a regime of floating exchange rates had exacerbated the general problem of inflation.

Nor was it obvious that the positive hopes for the floating rate system had been realised.

While noting the complications imposed by the 1973-74 commodity price explosion, the review says it would be hard to maintain that greater exchange rate flexibility and the supposed greater scope for fiscal and monetary policy have helped the industrial world to stagnate employment and minimise inflation.

"While domestic inflation rates vary as widely as they still do, a high degree of flexibility of parties is inevitable."

"But the experience of floating is beginning to call for careful reappraisal, against the hoped-for day when differences in rates of domestic cost inflation become a good deal narrower than they now are."

To ensure that the rate of price inflation continues to slow down, the increase in average earnings during the next pay round should be no greater than the 12 per cent rise assumed in the forecasts.

SUMMARY OF THE FORECAST (March Projections in brackets)

	Real Gross Domestic Product (per cent change, year/year)	Real personal disposable income (per cent change, year/year)	Unemployment (fourth quarter, million)	Money supply (per cent change in sterling M3, fiscal years)	Consumer price (per cent change, year/year)	Current account balance (year, £bn)	Public sector borrowing requirement (fiscal year, £bn)
1977	0.8 (-0.1)	-1.3 (-2.0)	1.4 (1.4)	15.0 (13.0)	14.3 (14.5)	- (0.1)	5.7 (6.7)
1978	2.5 (2.7)	5.4 (4.3)	1.4 (1.4)	12.0 (16.3)	9.4 (8.5)	0.3 (1.3)	8.3 (9.4)
1979	1.8 (2.5)	1.1 (2.7)	1.5 (1.5)	11.0 (14.5)	11.4 (9.8)	1.0 (1.3)	9.0 (9.9)

Payment imbalances key to slow growth

THE LARGE and growing rate of inflation in Japan had imbalances in the external payments of the leading industrial countries have generated considerable international friction should be down to about 7½ per cent and been an important cause of the slow overall growth of the world economy, the institute says in its report on international conditions.

The review comments particularly on the special problems after a decline in the second

Discussions on future UK growth rate urged

A MORE intensive and public discussion of the varying views about the future growth rate of the UK is urged in a special article in the review by Mr. T. D. Sheriff.

Differences in annual inflation rates were largely due to the conditions of commodity prices.

After a decline in the second

CHANGES IN MAIN COMPONENTS OF DEMAND IN OECD COUNTRIES

	Percentages, annual rates in real terms 1965-75	1976	1977 (estimate)	1978 (forecast)
Consumers' expenditure	+4	+4½	+3½	+3½
Public authorities' current spending	+3½	+1½	+2½	+3½
Gross fixed investment	+3	+4½	+6	+4
Trade balance	—	+1	+1	—
Stockbuilding	—	+1½	—	—
Gross domestic product	+3½	+5½	+3½	+3½

faced by Japan as a result of its economic structure, and suggests that these tend to be underestimated in the West.

The small proportion of total domestic demand accounted for by public consumption, the special characteristics of the industrial structure and the low level of manufactured imports made it difficult for the Government to alter the balance of the economy.

Greater aid from Japan to the developing countries could help to ease pressure on Japanese industry and its competitors in other industrial countries.

If this was combined with more effective economies in fuel consumption in the U.S. and a change of priorities in West Germany, "the outlook for world economy might look a good deal less gloomy than it does now."

Growth of output in the indus-

trial countries has languished in recent years. This has been the medium-term planning procedures in nationalised industries suggests that it is time for a "revival."

The study highlights a dilemma faced by the nationalised industries. They have the unfortunate experience of the 1960s when they were pressed by the Government to plan their investment on the assumption of a 4 per cent growth rate.

The industries are wary of repeating this experience with the danger of overcapacity.

On the other hand, "there may be a certain oddity about a group of industries in the public sector each coming to its own separate conclusion about the likely evolution of the British economy."

This involved possible duplication of effort, and the danger that excessive caution in these projections may become self-fulfilling.

If nationalised industries and large firms in the private sector plan on the basis of an expected slow rate of economic growth, then those plans could bring about a slow growth rate.

Because the planning experiments of the 1960s were unsuccessful, it does not follow that there was no truth at all in some of the ideas which lay behind those exercises.

The expectation of a slow growth rate, need not make a faster rate impossible, but it could make it more difficult to achieve.

National Institute Economic Review, No. 84, May, 1978, available price £3.00 for single issue from 2, Dean Trench Street, Smith Square, London SW1P 3HE.

Multinationals probe grant

MRS. JUDITH HART, Minister of Overseas Development, has approved a grant of £500,000 from aid funds to assist the technical co-operation programme of the UN Centre on Transnational Corporations over the next two years.

The centre, which studies the implications of the activities of multinational corporations, is at present financed by the UN Development Programme and by voluntary contributions from the Netherlands, Norway and Sweden.

The centre's work covers mainly advice to governments and information services.

Renault entry

RENAULT, widely expected to be spending well over £1m in its efforts to win the Le Mans 24-hour race in two weeks' time, has unveiled a new, 235 mph Alpine V6 Turbo to head its site car challenge against 1977 winners, Porsche.

The car, fitted with a 2.1 litre turbocharged engine, has been undergoing secret tests at Paul Ricard circuit in southern France and has been seen No. 1 of the 55 Le Mans entries. Backing it will be three less powerful 2-litre Renault Alpine V6 Turbos and two similarly-engined Renault Mirages, entered by an American team, which has close links with Renault.

The Le Mans race, in the doldrums during the early 1970s, has been revived by the intensity of the Porsche-Renault rivalry of the past two years. Renault, who view the race both as a promotional exercise and tested for long-term development of turbo-charged engines, will have an 80-man team at the Sarthe circuit.

Current account surplus of £300m predicted

THE SURPLUS on the current account of the balance of payments is expected by the institute to be much smaller this year than previously projected by itself and other forecasters.

A current account surplus of £300m in 1978 is forecast, with a steady improvement after the first quarter deficit, compared with the £130m surplus projected in the review at the beginning of March.

This is the main change in the institute's forecasts in the last three months: the broad pattern is still of a brief and mild recovery this year, which will tail off by the start of next year.

The forecast is based on the assumption of unchanged fiscal policies, which now assumes a change in income tax allowances in the spring 1979 Budget in line with the rate of price inflation.

The estimates also assume a 15 per cent rise in earnings in the current year, July, with a 12 per cent increase probable in the 12 months from this summer.

The institute believes that the general economic climate should be relatively favourable to pay restraint since living standards, as measured by real personal disposable income, will be about five to six per cent higher in 1978 than during last year.

The review notes the difficulties of defining exchange rate policy. But the forecasts assume that the rate will be supported at about its present level for the next months.

After that, the expected downward pressures will be only partially resisted.

Consequently, the trade-weighted index should fall by about 62 in the second and third quarters to roughly 58 at the end of next year.

"Fairly strong" growth in private consumption and private investment is expected this year, partly offset by continued stagnation of public spending and by rather rapid import growth.

Real Gross Domestic Product is projected to rise by 2.5 per cent in this year compared with last, and by 1.8 per cent next year.

Volume

On a fourth quarter to fourth quarter comparison an increase of 3.7 per cent is forecast during the course of this year, followed by a rise of only 0.8 per cent during 1979.

The decline in the volume of public expenditure is said to explain almost the whole of the continued stagnation in the economy last year.

Total public spending on goods and services this year is projected to rise in volume terms by only 1 per cent, followed by an increase of almost 3 per cent next year.

The review discusses the relative strength of manufacturing investment relative to projections based on output growth and capacity utilisation.

For example, the forecasting relationships in the institute's model projected a 15 per cent fall in investment between the fourth quarters of 1975 and 1977, as against the rise of 14 per cent which actually occurred.

Consequently, the latest projections rely on investment intentions surveys and indicate an 11 per cent rise in manufacturing investment in imports in the first quarter of this year.

But because the recovery in demand is expected to peter out next year, a rise of only 4 to 4½ per cent is forecast in 1979 on the same basis.

Including the public sector, the volume of gross fixed investment is expected to rise by about 3½ per cent this year and by 2½ per cent next.

This still leaves the volume next year below the 1971 level and, as a proportion of Gross Domestic Product, fixed investment will have fallen from nearly 22 per cent in 1971 to about 19 per cent in 1979.

The rate of private inflation

is expected to begin to turn up again in the second half of this year, as a result of the recent decline in the exchange rate and the assumed 15 per cent rise in average earnings in the current pay round.

By the last quarter of this year, consumer prices are forecast to be 10 per cent higher than a year earlier. A further slight acceleration to a rate of between 11 and 11½ per cent is expected for 1979.

Real personal disposable incomes are expected to rise by 3½ per cent this year (with a year-on-year increase of 5½ per cent), but remain flat thereafter.

The savings ratio—the percentage of disposable income saved—is expected to remain high during 1978 but next year, the review says, is expected to be projected to lead to a fall in the ratio.

This is forecast at 15.1 and 14.2 per cent respectively in the two years, compared with 14.5 per cent on average last year.

Comparison

A rise in real consumers' expenditure of 4.7 per cent is forecast on a year-on-year basis this year, falling to 2.1 per cent in 1979.

On a fourth-quarter comparison, the increases would be 4.6 and 1.3 per cent respectively.

The review also contains a disaggregated forecast of consumer spending.

A very rapid growth in durable expenditure is projected this year, but a sharply lower rate of expansion in 1979—up by 14 and 2.6 per cent respectively on a year-on-year comparison—is also forecast.

Spending on cars and motor cycles is expected to fall back slightly towards the end of the year, while furniture and floor coverings should benefit from the expected housing boom.

Non-durable spending is forecast to grow by 3.8 and 3 per cent respectively in the two years. Within this category, drink and tobacco should benefit from the failure to index specific duties.

The assumptions about the exchange rate and forecasts of domestic inflation imply little change in the price competitiveness of U.K. exports of manufactured goods after the middle of this year.

With world trade in manufactured goods growing by an expected 7 to 7½ per cent during 1978 and slowing to 5½ to 6 per cent in 1979, exports of manufactured goods are expected to rise by about 4½ per cent this year (fourth quarter on fourth quarter) and by 1½ per cent next year.

Imports

Total exports of goods and services are projected to rise by 6½ per cent during 1978 (3½ per cent year-on-year) and by just under 2 per cent during 1979 (3½ per cent year-on-year).

Imports of goods and services are expected (even after allowing for the oil saving) to rise relatively rapidly this year, reflecting the recovery of final demand.

An increase of 4½ per cent is projected for 1978 over the total for last year, with a rise of 3½ per cent in 1979, reflecting the slowdown in the overall recovery.

The institute, to a limited extent, discounts the sharp increase in imports in the first quarter of this year on the grounds that there may have been some stockpiling of imports in anticipation of a fall in the exchange rate.

Nevertheless, the base point for the balance of payments forecast is lower than assumed in the institute's model, and the exchange rate projection is also lower.

Consequently, after allowing for invisibles, the expected current account surplus of £300m is about £150m smaller than previously assumed.

A stabilisation in the volume of imports next year and a sharp rise in export prices should

ensure a current account surplus of around £150m next year.

The institute forecasts a public sector borrowing requirement of £83.3bn in 1978-79, near the official estimate and ceiling of £85.5bn for the period.

The review also takes into account the extent of official borrowing following the expected capital outflows reflecting support for the exchange rate.

But even given relatively buoyant bank lending to the private sector expected as a result of the pick-up in economic activity, the 8 to 12 per cent target for the growth of sterling M3—the broadly defined money supply—can be met with rather lower sales of gilt-edged stock than in the last two years.

This level of sales requires a rise in interest rates, with Treasury Bill rate reaching a peak of 10 per cent.

The institute estimates a domestic credit expansion of £7.5bn in 1978-79, which would conflict with the official ceiling of £6bn for the period.

Forecasts for 1979-80 would imply a small rise in public sector borrowing to about £90m.

With some fall in bank lending to the private sector associated with the ending of the recovery, continued capital outflows and reasonable sales of gilt-edged stock, there would again be a severe problem in meeting a 12 per cent monetary target.

The review discusses the overall fiscal stance by estimating the budget balance at a constant high level of employment.

On this basis, the public sector is now in substantial surplus (about £2.5bn in 1977-78), though this is not unprecedented.

In the years following the 1987 devaluation (up to 1971-72), there were similar full employment surpluses, when employment potential was considered higher.

Nevertheless, the stance of budgetary policy is substantially more restrictive than at any time since 1971-72.

Allowances in force in 1977-78 were sufficient to raise the tax threshold to about 95 per cent of its 1973-74 level in real terms.

However, because the higher rate brackets have been telescoped by inflation, there has been a substantial reduction in the real value of the thresholds for the higher and highest rate thresholds—just under 70 and 80 per cent respectively of their value in 1973-74.

The total (direct and indirect) effective rate of tax on personal incomes hardly changed last year—at 27½ per cent.

But the income tax rate had been reduced from just over 16 to 15 per cent, while the expenditure tax rate was raised from 11½ to 12½ per cent.

On the basis of the expected brief recovery in activity, total expenditure was likely to rise a little in the course of this year—by about 3 per cent—but fall slowly in 1979.

After allowing for the continued growth of the labour supply, this implies that adult unemployment in Great Britain will remain close to its present level of nearly 1.4m during 1978, but rise slowly during 1979 to about 1.5m by the end of the year.

Unemployment

The review discusses the uneven profile of unemployment and suggests that the seasonal pattern may have changed.

School leavers aged 18 or over have joined the adult register in the summer, producing a large but generally temporary increase in the number of unemployed.

Similarly, the apparent fall in unemployment at the end of the year may really have been due to some adult registered school leavers coming off the register, rather than being due to a fall in the underlying unemployment level.

With the labour force continuing to grow, there was no prospect that unemployment was likely to fall from the present record levels in the near future.

Angry hospital staff may gain worker participation

BY PAULINE CLARK, LABOUR STAFF

THE 900-BED Brookwood psychiatric hospital in Surrey, where a workers' council "take-over" by disgruntled nurses and other staff, may become the first hospital to adopt a workers' participation system under the modified Bullock Plan outlined by the Prime Minister last week.

The plan is believed under serious consideration by the area health authorities after joint talks with union and staff representatives at the hospital about the need for improved industrial relations procedure there.

It is likely to be put to a mass meeting of hospital staff today, when local leaders of the Confederation of Health Service Employees, the dominant union at the hospital, make recommendations on the future of the present 12-member workers' council.

If the idea is accepted, the hospital will have made history in the health service which, incidentally, was not mentioned in the recent Industrial Democracy White Paper.

The logical result would be setting-up of a permanent workers' participation committee at Brookwood, with union representatives joining hospital administrators in determining overall policy on running the hospital.

Area health authority representatives might take seats on the committee.

The workers' council was set up nearly a fortnight ago under the leadership of union representatives, including Mr. Joe Fleming, a charge nurse and secretary of the union branch.

The nurses have complained of "autocratic" management and have presented a list of grievances to the health authorities, including criticisms of certain personalities in control of the running of the hospital.

Today's meeting is expected to discuss what form of inquiry should be set up to look into the problems, as proposed by Dr. Ivan Clout, chairman of the Surrey Area Health Authority.

Dr. Clout has welcomed the decision to set-up a workers' council rather than take industrial action, which would have affected patient care.

The nurses have yet to publish their full list of grievances, but are known to have objected to certain instructions by management.

The authority of ward sisters is said to have been undermined, for instance, by orders concerning fixed tea hours, which the nurses maintain have been without regard to the needs of patients and to the responsibilities of the nurse in charge.

The union has complained of sackings of nurses without the presence of a union officer.

Plans are reportedly afoot to close a relatively new steel bar mill at the works, which has a number of specialist finished products, because of the continuing depressed state of the construction industry.

Local steel union sources indicate that they intend to resist any such move strongly, on the grounds that South Wales has already had more than its fair share of steel job losses.

The Whitehead works employs about 1,000 men of whom at least 100 would be affected by a closure of the bar mill.

ACAS acting in Bank row

BY OUR LABOUR STAFF

OFFICIALS from the Advisory, Conciliation and Arbitration Service are due to meet representatives of the Bank of England and the Society of Graphical and Allied Trades today to discuss ways of resolving the dispute at the bank's sole printing works which has halted distribution of new bank notes.

The dispute involves about 500 women note examiners who, together with drivers, binders and other groups, all members of SOGAT have been dismissed by the bank for alleged breach of contract.

SOGAT said yesterday that "at an appropriate time."

Scorpion tanks moved after blacklist clash

BY NICK GARNETT, LABOUR STAFF

THE SCORPION tanks marooned which was also party to a guide at the Alvis factory in Coventry, line-haulage deal last year, because of a pay blacklisting dispute, have been told that it will no longer receive Ministry of Defence contracts.

The company was told this last week, the day after it had moved its Scorpion tanks from the Alvis factory in Coventry.

A number of hauliers have been involved in the past in moving tanks from the factory. The Ministry of Defence said yesterday that the backlog of Scorpions, about 12, was moved early last week, before Capel's contract, of Wednesfield, case had much publicity.

Bank hours trial agreed

SCOTLAND'S clearing banks have agreed with the National Union of Bank Employees to fill-planned, but the union had open 16 main branches in the Glasgow, Edinburgh, Aberdeen public interest.

The experiment, which means that the branches will be open continuously between 9.30 am to 5.30 pm on weekdays, starts on Monday.

The union was unhappy about the proposal by the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale—three banks which accepted four conditions.

These were that all staff would continue to have a one-hour lunch break, that additional temporary staff would be taken on to maintain staffing levels between 11 am to 3 pm, that the working week would remain at 46 hours and that special attention would be paid to security over the lunch-time period.

Mr. David Patterson, the union's Scottish deputy general secretary, said that the experiment was a "first step" towards a more equitable and efficient banking system.

For Winter fuel saving PLUS fresh air in Summer, install J.J. Table Units in your factory.

J.J. Ventilation Limited
13 Dewey Square, Bristol BS1 6SL
Tel. Bristol 201285

Taste



in Torino

The delicious taste of ice-cream in Italy could well come from Bush Boake Allen — the Albright & Wilson company that is one of the world's leading suppliers of flavours and fragrances.

These flavours are supplied to the food industries of many countries to suit local tastes and ways of life — flavours for biscuits, savoury flavours for snack foods, spice extracts for sausages, fruit concentrates for soft drinks.

Albright & Wilson have manufacturing plants in 15 countries. In 1977 alone, overseas production resources were increased in Australia, Canada, France, Malaysia, Singapore, Sweden and the USA.

Worldwide, sales last year were £338m, of which £194m were earned overseas, including £92m exports from the UK.

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chemicals for metal finishing and water treatment • paper and pulp bleaching chemicals and processes • organic intermediate chemicals • plastics chemicals • flame retardants

The right to choose

There are some people who believe that the advertising of certain products should be banned.

The current favourite for the attention of such people is the advertising of cigarettes.

Closely followed by that of alcohol.

But the list can be extended to the advertising of products made from animal fat.

Or of products that contain saccharine.

And even of products that pollute, and collide with each other, and put their drivers into hospital.

Those who believe in banning the advertising of such products would extend the list further.

All they need is time.

But there are others who believe that the citizen has certain inalienable rights in a free society.

The right to exercise free choice for instance.

And that this, by definition, must include the right to smoke.

The right to drink.

The right to eat dairy foods.

The right to drive.

The right to take the risks he knows about.

The right to measure those risks against the pleasure he gains.

And that, providing he exercises those rights with a sense of responsibility to the society in which he lives, no legislative assembly should seek to deny him access.

If that belief is well-founded, then the advertising agency, Allen, Brady and Marsh believes that free and honest trading of cigarettes, alcohol, dairy foods and motor cars should continue.

That, just as governments should be free to warn of risks, manufacturers should be free to advertise their products.

Of course there should be safeguards.

The health of the citizen should be protected.

But the health of democracy is also important.

President Hoover, in 1928, put it better than we could hope to do:

"Free speech does not live many hours after free industry and free commerce die."

The advertising launch of State Express 555 King Size cigarettes started on 24th May 1978.

Allen, Brady & Marsh is proud to be responsible.

ABM

ABM House Norwich Street London EC4
Tel 01-405 3444

The Marketing Scene

EDITED BY MICHAEL THOMPSON-NOEL

Fighting abuse with self-control

BY MICHAEL THOMPSON-NOEL

THE FLURRY OF protests and Press statements with which London greeted the EEC Commission's draft directive on unfair and misleading advertising—published in March—has died down for the present, to be replaced by a mood of wariness which in one quarter, at least, is beginning to shade into qualified optimism.

That quarter is a very important one indeed, occupied as it is by Lord Thomson of Monifieth, chairman of the European Movement (the all-party, pro-EEC, lobby), chairman of the Advertising Standards Authority and previously one of the UK's first two EEC Commissioners.

Lord Thomson's views on the absurdity of European harmonisation for its own sake, and on the pleasureless joy pursued by the bureaucrats in their sleepless search for uniformity, have endeared him to the advertising and marketing communities in Britain.

Which is not to say he is incapable of turning round and administering a clip behind the ears when necessary. At the Advertising Association's conference in Brighton, Lord Thomson said he was encountering within the advertising business, dangerous misconceptions as to how advertising control works in Britain, plus a disturbing degree of complacency as to how the Brussels draft directive—which proposes uniform civil and criminal legal proceedings throughout the Nine to counter unfair and misleading advertising—can best be tackled.

More recently Lord Thomson told me: "I am now reasonably optimistic that we will get from Brussels an amended directive that will allow each country to preserve its own system of advertising control and still achieve the very worthy aims of the current directive."

He believes that the control of advertising in Britain—a mixture of statutory enforcement and industrial self-regulation via the ASA and its Code of Advertising Practice (plus the work of the IBA)—is sufficiently well-organised at present, and sufficiently successful, to be allowed to continue along present lines.

HOW "LEGAL, decent, honest and truthful" is British advertising? If the reaction of the public is anything to go by, it scores extremely well. The Advertising Standards Authority conducts a national ad campaign of its own each year, inviting complaints from the public. The 1978 campaign is running now (see inset).

The 1977 campaign began last August and ran for three months, enlisting the support of folk heroes like Marjorie Proops and Sir Matt Busby. It cost £150,000. In addition, a further £54,113 worth of free space was donated by the media.

According to ASA chairman Lord Thomson of Monifieth: "The evidence from the ASA's own operations certainly does not show any widespread grass-roots feeling among consumers that advertising is misleading."

Following the 1977 campaign, the number of complaints which came in for ASA consideration, over a nine-week period, totalled 1,592 against a background of something of the order of 4.5m ads published each week. "Of that number, 183 were complaints not about advertisements but about a failure to deliver goods ordered by mail. (Because such goods are bought as a direct result of an advertisement, the ASA has special responsibility for bringing such complaints to a satisfactory conclusion). Of the remaining complaints, 295 were found to be justified. This represents 18.5 per cent of all complaints received in the period but only 0.066 per cent of the estimated total number of print advertisements published during the nine weeks concerned."

"But there is no element of son: advertisers can't always be expected to anticipate some of the more ingenious complaints advertised in the Nine to counter unfair and misleading advertising—can best be tackled."

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Are you legal, decent, honest and truthful?

Advertisers have to be.

The Advertising Standards Authority

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Lord Thomson's remarks about complacency within the advertising business are also easy to understand, for while it is important not to exaggerate the degree of concern the citizenry at large harbours about advertising (matters of family, government and the trade unions rank way ahead of advertising in the neurosis league) it is equally clear that in many parts of the world the consumerists and other pressure groups are creeping up on advertising virtually from behind.

In a great many cases they are now within a stone's throw of their objectives. In Bern, the Swiss Parliament is debating whether or not to ban all tobacco and drink advertising. (In Britain, tobacco advertising may well be outlawed within five years, and drink advertising strenuously repressed.) In Washington, singer Pat Boone, whose company, Cocoa Munga Inc., received 25¢ for every \$9.50 bottle of Aene-Staton sold as payment for his endorsement of the product, has agreed to a settlement holding him personally accountable for false and deceptive advertising—the forerunner of rigorous new endorsement standards now being developed by the Federal Trade Commission.

In Brussels, the European Consumer Law Group has stated that in the absence of firm legislative control of advertising (which it favours), self-regulatory bodies should be required to operate under the aegis of consumer organisations and trade bodies. In addition, the group wants very special attention accorded advertising directed at the young, the elderly and the ill, as well as ads designed to help the sale of "harmful and hazardous products such as tobacco, alcohol, pharmaceutical products and sweets."

The list is endless. In a great many instances the moral case for more rigorously framed rules on advertising conduct and control seems to speak for itself. But there are many areas and instances where the rights of the advertiser need strong protection, too. In Britain, the advertising industry is fortunate that it has someone like Lord Thomson to chivy it along.

English Mustard this year... National Holidays, part of the National Bus Company, has given its £300,000 to Bastable Market Development... Trebor is putting its Sharps Extra Strong Mints into posters for the first time, via NSW Partners. Extra Strong is said to have 25 per cent of the £30m pressed mints market... Brooke Bond Oxo is spending £250,000 on Dividend "D" in June. Dividend reportedly has 10 per cent of UK packet tea sales.

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Consumers, consumerists, and pistachio nuts

TALE OF THE MACABRE No. 1: It is no coincidence that both those stories come from the U.S. They were supplied last week by Jeffrey H. Joseph, Director of Government and Regulatory Affairs for the U.S. Chamber of Commerce, speaking in London at an ACE seminar on consumerism.

It is Mr. Joseph's belief—a belief increasingly shared on both sides of the Atlantic—that the consumer movement has gone too far, too fast: that whereas the original problem, pursued with great vigor by activists like Ralph Nader, was to provide protection for the consumer, an even greater problem is now perceived to be the hidden and ever-mounting cost to society of regulating the conduct and practices of business and industry.

Quoting studies by Prof. Murry Weidenbaum, Mr. Joseph indicated how the U.S. federal regulatory agencies generate large costs in the private sector. In 1976, the estimated cost to U.S. business of complying with federal regulations exceeded \$62bn, or 20 times the \$3bn budgeted for operating the agencies themselves.

Federally-mandated safety and environmental features, says Mr. Joseph, will increase the price of the average American passenger car this year by \$666 for a total, to U.S. motorists at large, approaching \$10bn.

The Federal Paperwork Commission estimates that the total cost of paperwork imposed on private industry ranges from \$25bn to \$32bn annually, and that "a substantial portion of this cost is unnecessary." Regulatory requirements imposed at federal, state and local government level are adding between \$1,500 and \$2,500 to the cost of the average new house. According to Mr. Joseph, approximately \$10bn of new private capital spending is devoted each year to meeting mandated environmental, safety and similar regulations rather than being invested in new projects.

General Motors says it costs it \$3bn (plus the full-time efforts of 22,900 employees) to comply with auto emission and safety regulations. The Dow Chemical Company says the impact of federal regulatory costs on its U.S. operations alone is costing \$180m annually.

According to Dow Chemical's president: "Ultimately, the consumer ends up paying for these costs, which really amount to a mandated hidden tax on consumers." According to Mr. Joseph, the problem is growing in all directions, although so far aggressive solutions to possible problems without first attempting to measure the cost.

During the seminar's lunch lull, Gordon Borrie, the UK's Director-General of Fair Trading, expressed the opinion that consumerism had become the whipping boy for everything that business and commerce found unpalatable, on whatever front.

But the mood now, both in Britain and the U.S., is that the consumerists have to date enjoyed an overkill of rhetoric. As Harry Shepherd of Marks and Spencer said last week: "The choice I would like most to argue for is the choice between benefits and costs—a choice not yet offered to consumers, perhaps because while the benefits are well publicised, the costs have been apparently difficult to estimate."

The Alliance changes tack

THE TED BATES AGENCY, Britain's eighth biggest, has had its ups and downs lately, losing three board members and more than £2m worth of business, though the business losses have been more than counter-balanced by gain such as Pint Size, Cadbury Typhoo's new Instant milk product, and the £2.5m launch for Mars' new Banjo chocolate snack bar.

One of Bates' losses was the Alliance Building Society, which had been a client since 1964, but which is now concentrating more on TV, its total ad budget this year is more like £550,000.

Partly because the societies offer such comparable services, but it knows it is not the sixth best known. The nicest thing that can be said about Bates' TV work for the Alliance is that it was dull. The ads showed general manager Roy Cox explaining precisely what services the Alliance offered and how investors could count on good rates of interest security and personal service—a strikingly different approach to the jingles and jokes and bickering tops paraded by the Abbey, the National, the Leeds and the Woolwich, for example.

"We want to retain the serious approach," says Roy Cox, "because we want to achieve much more than awareness. At the same time, we want a new creative approach, a new style and personality."

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Pan Am raises hackles

PAN-AMERICAN World Airways' decision to fire Ally and Gargano and instigate a competitive scramble for its \$32m account has stirred tempers in the UK. Earlier this year Ally and Gargano lost its \$12m Fiat Motors business and has now been forced to sack an estimated fifth of its staff. Ally and

Gargano, handled Pan Am's domestic business worth \$12m; the \$20m overseas account is handled by J. Walter Thompson.

DKG Advertising chairman Shepard Kurlit observed that Ally and Gargano's work had depicted Pan Am as a company "that cares about people, their comfort, their safety, their

hopes, their dreams. They have just made it painfully clear that they don't care at all."

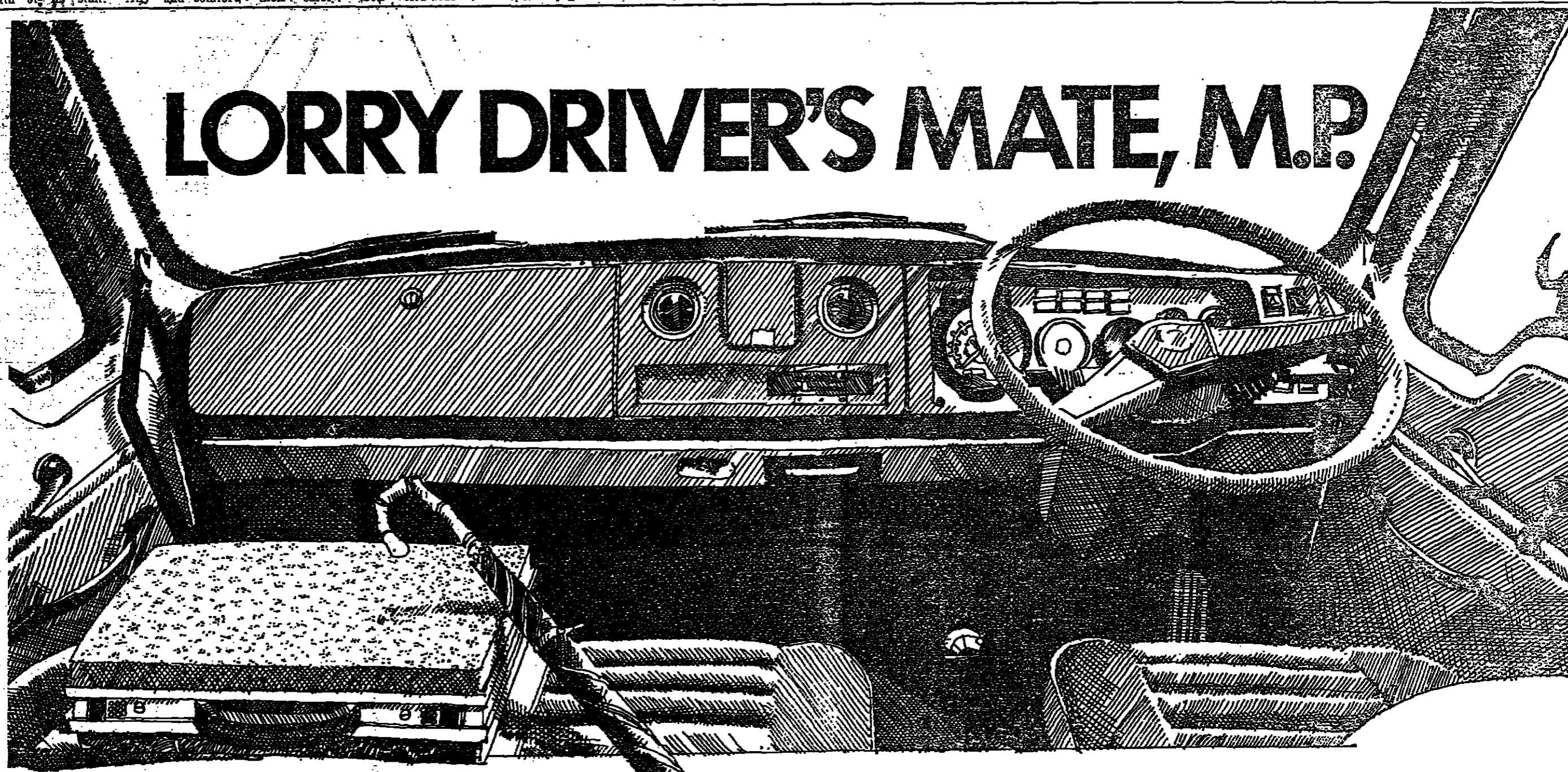
The A&G head, Carl Ally, received 48 hours notice from Pan Am. He was at a funeral at the time. Pan Am says it wants a single agency to handle its account world-wide. JWT reportedly has

the inside rail. Its 14 rivals include McCann-Erickson, Ogilvy & Mather, SSC&B, Ted Bates, D'Arcy-MacManus & Masius, and Needham, Harper & Steers. A decision is expected by late July.

● Campaigns and Accounts: "C'mon Colman's, light my fire," is the phrase employed by a scantily-clad nymph on a tiger skin in the first of a series of three new ads devised by JWT for Colman's English Mustard. She is chopping a chicken leg. Colman's is spending £400,000 on

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LORRY DRIVER'S MATE, M.P.

Take a closer look at the man delivering industrial gas cylinders—he may be your M.P.

British Oxygen is one of thirteen companies participating in the Industry and Parliament Trust, a scheme which aims to increase Parliamentarians' awareness of how British industry works, by allowing M.P.'s to see things at first hand.

There is much for them to appreciate.

Product design, labour relations, business systems, sales training, production management, research programmes, employment practice—the list is endless, embracing all those technical, economic, political and legal factors affecting the competitive performance of industry in today's highly complex society.

For our part, we commend the M.P.'s to a weekly copy of The Engineer. There is no better starting point for an appreciation of how British industry works, solves its problems and creates its opportunities. A year's issues add up to a history-in-the-making of industry—a continuing narrative of fact, opinion and debate, charting events, ideas, relationships—tracing all the major influences on the direction of industrial change and growth.

And it is as stylish, lively and readable now as it was 120 years ago.

It's not surprising that in the engineering industries more engineers and engineering managers read The Engineer than any other publication* Every week.

THE WEEKLY FOR ENGINEERING MANAGEMENT.

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*Mass-Observation, 1975 Engineering Ind.

16
LOMBARD

Coping with the German unions

BY ADRIAN DICKS

NEXT TIME Mr. James Callaghan manages to get together for an evening's quiet reflection and soul-baring with his good friend Helmut Schmidt, it would not be surprising if it were the British Prime Minister who found himself being asked for advice. Not, you may be sure, on the matter of reflation, where Mr. Denis Healey has once again in recent days urged his unwelcome views on Bonn. Where Herr Schmidt could be forgiven for feeling a certain sense of bewilderment right now is in a realm where foreigners have usually taken German success for granted—the social contract. West Germans are beginning to wonder whether an essential ingredient in the formula may now have altered its properties. Have the unions gone sour?

Earlier this spring, in the bitter and hard-fought printing and metal-working disputes, the West German trade union movement delivered a costly reminder of its existence to those who might have felt tempted to assume that the logic of an appreciating currency, a stubbornly high unemployment rate and continuing demand weakness would force another year of wage restraint acceptable to the economic establishment.

Frustration

What seems to worry not only Ministers but trade union leaders themselves is not the spirit of impatience shown towards such homilies (all too rare), but the deep sense of frustration felt by many in the movement. The job guarantee clauses have brought no great peace of mind for many on the union side are fully aware that their effect may be merely to make union members still less attractive to employ, compared to machines.

Similarly, calls from the leadership for further discussion of reducing working hours in the interests of cutting unemployment have met with a certain shuffling of delegates' feet.

Expensive

The disputes were expensive by anyone's standards. Official statistics show a loss of 3m working days for 1978 so far, compared to a worst-ever year in 1971 of 4.5m. The metal-working and engineering employers have calculated that the cost of strike and lock-out cost them a good DM 2bn, while the effect on an already faltering real gross national product will certainly be to make the government's 3.5 per cent growth target for 1978 as a whole still less likely to come.

To listen only to the employers' side of it, you would think the spring's wage rises of about 5 per cent, coupled with the agreements on job security that both printers and metalworkers managed to win for themselves, were the last straw. Now that first-quarter company results are beginning to come in, however, the picture does not look so overwhelmingly black. Boards are in a growing number of cases expressing "qualified confidence" or referring to "relatively satisfactory earnings" or similar phrases.

It is the unions, now that the 1978 wage round is over, who seem to be gnawed by self-doubts. The reception accorded to Herr Schmidt a little while ago at the Hamburg conference of the

IT IS sometimes assumed that the EEC Commission only intervenes to curb abuses of market power in cases where the offending company has a substantial market share. Recent reports from Brussels inferred from the case of United Brands, which has a 42 per cent share of the relevant banana market, that a company with less than a 40 per cent market share has really not much to fear.

Such optimistic conclusions are quite wrong. In the same way as other anti-trust agencies, the Commission and also the European Court are steadily moving away from using the market share as the only, or even the decisive yardstick of market dominance. There are at least two recent decisions of the Commission where companies whose market share was under 10 per cent were held to be market dominant.

In its decision of October 1977 the European Court held that SABA, though holding only 6 to 7 per cent of the TV sets market in Germany, was in a dominant market position making it subject to the rules of Article 86 of the EEC Treaty. SABA was one of eight producers of television sets in Germany which together controlled 91 per cent of the market. It is remarkable

that the Court gave greater weight to the Commission's view that the company was in a dominant position than to the fact that SABA had less than a 7 per cent share of a highly competitive market for products which appear readily interchangeable to most consumers.

The Commission appeared, at first, to be in a somewhat stronger position when, by its decision of 19 April 1977 (Official Journal 1977 L 117) it condemned the behaviour of three Dutch subsidiaries of the British Petroleum Company during the 1973 oil crisis. The Commission accused BP of having unduly restricted supplies to independent distributors. The case was originally brought against all the major oil companies operating in the Netherlands but subsequently dropped in respect of all but BP, which had only a 9 per cent share of the relevant product market in the Netherlands. In reaching its decision the Commission did not rely on market share at all but argued that it was impossible for an "independent" distributor to find a new supplier at a time when the oil majors were restricting supplies even to their own outlets. In its decision the Commission states:

"Firms hold a dominant position where they are able to

act fully independently—in other words where they may conduct their business without regard to the actions of competitors and customers. This can happen when general economic circumstances and particular market conditions combine so that firms with an

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

established market position, access to raw materials and an adequate industrial capacity and capital resources, find themselves in a position to control production and distribution in a substantial proportion of the market."

The decision went on to say that in these circumstances "for reasons completely outside the control of the normal supply chain, their customers can become completely dependent on them for the supply of the scarce products. Thus while the situation continues, the suppliers are placed in a dominant position in respect of their normal customers."

BP argued that it had cancelled its contract with the complaining distributor some six months before the oil crisis.

there is a lacuna in whatever governmental measures may have been taken. Article 36 may be invoked to fill it."

One could add that this sort of legislation, by filling the gaps, is very widespread in the realm of EEC law. The European Court is not only applying the law, it is also creating it, as a sort of EEC equity. The trouble is not that it is done, but that it cannot be done properly behind closed doors.

Speaking about equity in international law at the Petroleum Law Conference in Cambridge recently, E. Lauterpacht, QC, an eminent international lawyer, said that when equity rules are being created there is a real need for debate but only between the parties and also between the parties and the court. In his view, a preliminary assessment of the case by the court should be followed by further argument. In the case of the European Court it is not. It legislates without discussion.

THE ROCHER/Centrafrum trade mark case No. 102/77 was finally resolved by a judgment handed down on 23 May. Answering the question of whether a branded product, repacked with out the trade mark owner's permission, may be labelled and resold under the original trade

Interest in Pyjama Hunt rising

ANTE POST DERBY activity yesterday switched to no uncertain terms to France's Huntercombe colt Pyjama Hunt, and the now sole surviving Barrows contender, Formidable.

Although there is still a possibility that France's champion jockey, Yves St. Martin could be claimed for the rank outsider

lose substantial sums yesterday have had an equal amount of interest in Formidable, another colt to have worked well in the last few days.

Formidable had some particularly strong work to tackle in Crow, Leonardo de Vinci and Malicite. Those who saw the way in which he quickened when asked to go about his business came away impressed. With the news that Pat Eddery will be aboard him a further shrinkage in his current odds of 20-1 (in some cases 10-1) seems likely.

Turning to the racing at Brighton where it seems likely that the luckless Acelyte can get off the mark in the Portland Stakes, a mile event confined to three-year-old maiden fillies. Earlier, after afternoon, favourite backers

should collect after the Shoreham Stakes in which Potemkin, a promising colt to Coventry, a 1,000 Guineas Day will probably be at prohibitive odds.

At today's other meeting, Carlisle, Faverdale should be good enough to open her account in the modestly-contested open, the Buttermere Selling Stakes.

BRIGHTON
2.00—Banister
3.30—Potemkin
3.30—Happy Donna
4.00—Acelyte
4.00—Wanlockhead
4.30—Flying Spice
CARLISLE
2.15—Boscawen
2.45—Boscawen
3.45—Boscawen
4.15—Faverdale

RACING

BY DOMINIC WIGAN

Bial, the consensus is that he will be allowed to ride Pyjama Hunt, one of France's leading juveniles last season.

Pyjama Hunt, a 5,000 guinea yearling, more than repaid that modest investment in his first season. He landed the Prix des Foals at Deauville before finishing second in both the Prix des Chénas and the Grand Critérium (both at Longchamp) and has been clipped in most lists from 50-1 to 3-1.

Pyjama Hunt worked conspicuously well on a left-handed gallop on Saturday and experts are more than hopeful that he can give an extremely good account of himself on June 7.

Mecca and Playboy book-makers, who both laid him in

the lottery plan for Olympic teams

THE BRITISH Equestrian Olympic Fund is to promote a lottery to raise funds to send Britain's equestrian teams to Moscow for the 1980 Olympic Games.

The lottery will be organised by Nat Op Lotteries, part of the Victoria Sporting Holdings Group, and run on an "instant win" system with tickets at 25p each and prizes from 50p to

£1,000. The purchaser simply rubs away the print on the ticket to reveal hidden numbers underneath.

Tickets will be on sale at horse shows and riding events throughout the country, including the Herts County Show, Burley-on-the-Hill Show, South of England Show, and County Show, Glasgow County Show, the City of Glasgow Show, Hickstead and Buryhill.

TV/Radio

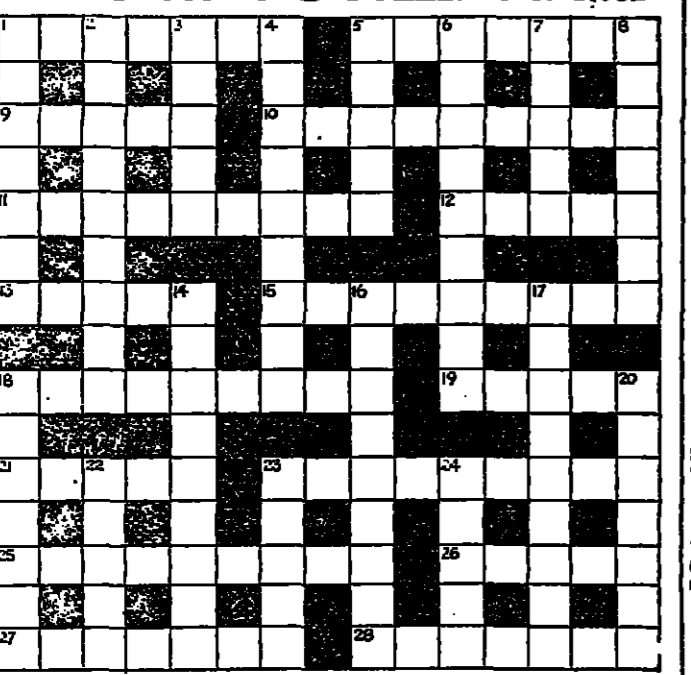
† Indicates programme in black and white.

BBC 1

6.04-7.55 am Open University.
11.15 On the Move. 11.25 Cricket.
First Test: Cornwall Insurance
Test Series: England v. Pakistan.
1.20 pm Chigley. 1.45 News. 2.10
Cricket: First Test, England v.
Pakistan. 3.30 Regional News for
England (except London). 3.55
Play School (at BBC 2 11.00 am).
4.20 Sinbad and the Flying Carpet.

4.20 Heads and Tails. 4.45 Laif-
Lymphs. 5.05 Blue Peter.
5.35 News.
5.45 Barney Bar (London and
South-East only).
5.50 World Cup Grandstand
from Argentina: Opening
ceremony and opening
match at 6.30: West Ger-
many v. Poland.
9.00 News.
9.25 Des O'Connor Tonight.
10.15 Spend, Spend, Spend.
11.40 Weather/Regional News.

F.T. CROSSWORD PUZZLE No. 3,681



- ACROSS
- American attorney joining board can be met by appointment (7)
 - Taking possession of officer on river (7)
 - Under 18 team meets army commander on way back (5)
 - Found to be lacking safety connection (8)
 - Pour down restraint on ticket for future use (4, 5)
 - Missile making a right line (7)
 - Wise men caught by super-natural means (5)
 - Given the job a backward parent indicated (9)
 - Affliction cut down in the Pennines (5, 4)
 - Like party to have property (5)
 - Permit key to become old-fashioned (5)
 - 12's launcher has a drawback (8)
 - Military formation not confined to commission (4, 5)
 - Turkish capital letting money to river (5)
 - Frank has subsequently joined engineers (7)
 - English poet sounds woolly (7)
- DOWN
- Month taken to love strong drink with propriety (7)
 - Reproof for addressing... (7, 2)
 - ...bachelor—spelt like this—is fundamental (5)
 - List provided by oriental good at figures (9)
 - Up everybody has to face (5)
 - A price Pat varies for each person (3, 6)
 - Seat attendant is useless female (5)
 - Gifted object to nothing and nothing (7)
 - Cooked soles care for dish (9)
 - A puppet master has to use influence (4, 5)
 - Try one Scots loch for short temper (9)
 - PC takes notes rich in words (7)
 - More crowded close to the Queen (7)
 - Self-starter bird finds grim (7)
 - Shift key in Cornish resort (5)
 - Let it be given a name (5)
- SOLUTION TO PUZZLE No. 3,680
- ACROSS
1. American attorney joining board can be met by appointment (7)
 2. Taking possession of officer on river (7)
 3. Under 18 team meets army commander on way back (5)
 4. Found to be lacking safety connection (8)
 5. Pour down restraint on ticket for future use (4, 5)
 6. Missile making a right line (7)
 7. Wise men caught by super-natural means (5)
 8. Given the job a backward parent indicated (9)
 9. Affliction cut down in the Pennines (5, 4)
 10. Like party to have property (5)
 11. Permit key to become old-fashioned (5)
 12. 12's launcher has a drawback (8)
 13. Military formation not confined to commission (4, 5)
 14. Turkish capital letting money to river (5)
 15. Frank has subsequently joined engineers (7)
 16. English poet sounds woolly (7)
- DOWN
1. Month taken to love strong drink with propriety (7)
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 3. ...bachelor—spelt like this—is fundamental (5)
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 6. A price Pat varies for each person (3, 6)
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 12. PC takes notes rich in words (7)
 13. More crowded close to the Queen (7)
 14. Self-starter bird finds grim (7)
 15. Shift key in Cornish resort (5)
 16. Let it be given a name (5)

All Regions as BBC1 except at the following times:

Wales—1.20-1.45 pm Mr. Benn.
4.45 Crystal Tapes and Allstars.
5.50-5.55 pm News.
5.55-5.55 pm Wales Today.
11.40 News and Weather for Wales.
Scotland—3.45-5.50 pm Scottish News.
5.50-5.55 pm Wales Today.
5.55-5.55 pm Scottish News.
11.40 News and Weather for Scotland.
Northern Ireland—3.35-5.55 pm Northern Ireland News. 5.45-5.50 pm Northern Ireland News and Weather for Northern Ireland.
England—5.45-5.50 pm Regional News (except London and SE).

BBC 2

6.40-7.55 am Open University.
11.10 Play School.
4.30 pm Cricket: First Test, England v. Pakistan.
6.40 The Underdog in "The Black Swan".
8.05 Gardeners' World.
8.30 In Deepest Britain.
9.00 Tyrone Power in "The Sun Also Rises".
11.05 Cricket, First Test (highlights).
11.35 Late News on 2.
11.45-11.55 Close-down: Sir Hugh Casson talks about "Interior in Venice" by John Sargent.
BBC 2 Wales only—6.05 pm Heddiw. 8.30-9.00 Eliseddoff Yr Yrdd.

LONDON

9.30 am Dymott. 9.50 To the Wild Country. 10.40 "Abbot and Costello Meet Frankenstein". 10.50 Gammon and Spinach.
11.00 Pipkins. 12.30 Treasures in Store. 1.00 News plus FT index. 1.20 Help. 1.30 Crown Court. 2.00 Afternoon in the Sun. 2.10 You Find It starring Eddie Byrne and Dermot Kelly. 3.00 "Lost Horizon" starring Peter Finch.

RADIO 1

5.50 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.35 Paul Barrett including 12.30 pm. Newsbeat. 1.00 Tony Blackburn. 1.45 John Peel. 2.00 Newsbeat. 2.10 John Peel. 2.30 John Peel. 2.50 John Peel. 3.00 John Peel. 3.10 John Peel. 3.20 John Peel. 3.30 John Peel. 3.40 John Peel. 3.50 John Peel. 4.00 John Peel. 4.10 John Peel. 4.20 John Peel. 4.30 John Peel. 4.40 John Peel. 4.50 John Peel. 5.00 John Peel. 5.10 John Peel. 5.20 John Peel. 5.30 John Peel. 5.40 John Peel. 5.50 John Peel. 6.00 John Peel. 6.10 John Peel. 6.20 John Peel. 6.30 John Peel. 6.40 John Peel. 6.50 John Peel. 7.00 John Peel. 7.10 John Peel. 7.20 John Peel. 7.30 John Peel. 7.40 John Peel. 7.50 John Peel. 8.00 John Peel. 8.10 John Peel. 8.20 John Peel. 8.30 John Peel. 8.40 John Peel. 8.50 John Peel. 9.00 John Peel. 9.10 John Peel. 9.20 John Peel. 9.30 John Peel. 9.40 John Peel. 9.50 John Peel. 10.00 John Peel. 10.10 John Peel. 10.20 John Peel. 10.30 John Peel. 10.40 John Peel. 10.50 John Peel. 11.00 John Peel. 11.10 John Peel. 11.20 John Peel. 11.30 John Peel. 11.40 John Peel. 11.50 John Peel. 12.00 John 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Uncheerful outlook

THE NATIONAL INSTITUTE'S official expectation which has been halved. The balance of payments is in its own words, a gloomy picture of the economic outlook for the UK in the rest of 1978 and, more especially, in 1979. The picture would probably have been more gloomy still if it had been painted in the light of the latest information available. In the first place, the NIESR estimate of capital investment in industry might well have been revised downwards if its forecasters had been able to take into account the sharp drop in the official statistics of expenditure in the first quarter. The high level of investment intentions in relation to the likely growth of output has puzzled many observers: the recent drop in actual investment chimes better with forecasts based on past experience and with the growth of pessimism about business prospects reflected in recent surveys made by the Confederation of British Industry.

In the second place, the National Institute sets the scope for UK government action to improve the outlook fairly in an international setting. It will be strictly limited in any case, but it will be very small indeed unless the leading industrial nations can agree on concerted action to achieve a faster rate of world trade and growth. This forecast seems all the gloomier for being published at a time when the Economic Policy Committee of the OECD seems to be demonstrating that its members are more united on principle than on any course of practical action.

The dilemma

The dilemma which the National Institute (and it is not alone in this) finds itself unable to bypass is the difficulty of maintaining a faster rate of growth without stoking up inflation or worsening the balance of payments. This year, indeed, it foresees a "brief recovery" in demand and output led by higher consumption and investment. But the growth of GDP this year is put even on slightly dated assumptions, at only some 3½ per cent, with unemployment levelling out only slightly below its present level.

The balance of payments is expected to improve (as, in fact, it already has) from a poor first-quarter average but to produce a current surplus for the year only half the size of an

official expectation which has been halved. The balance of payments is in its own words, a gloomy picture of the economic outlook for the UK in the rest of 1978 and, more especially, in 1979. The picture would probably have been more gloomy still if it had been painted in the light of the latest information available. In the first place, the NIESR estimate of capital investment in industry might well have been revised downwards if its forecasters had been able to take into account the sharp drop in the official statistics of expenditure in the first quarter. The high level of investment intentions in relation to the likely growth of output has puzzled many observers: the recent drop in actual investment chimes better with forecasts based on past experience and with the growth of pessimism about business prospects reflected in recent surveys made by the Confederation of British Industry.

The main reason why the National Institute does not, in these circumstances, recommend unilateral UK action to maintain the growth of demand is its high propensity to import. A further stimulus of consumption would probably cause a sharp drop in the expected balance of payments surplus (which itself depends on North Sea oil) unless there were a deliberate drop in the exchange rate; and either course would tend to push inflation higher still. From a monetarist point of view the prospect is slightly worse than this. Although the National Institute believes that the Government can meet its monetary targets with the help of some further rise in interest rates, its calculations imply a growth of Domestic Credit Expansion even in 1978-79 which is considerably faster than the commitment to the International Monetary Fund.

The UK, in short, is and must remain an economy particularly dependent on the state of world trade and business activity. Whatever minor disagreements there may be about specific forecasts, nobody can quarrel with the conclusion that domestic economic policy will be circumscribed in 1978-79 by the degree of success reached at the Bonn summit meeting in July. And that in itself, as the markets noted some time ago, has implications for the timing of the next general election.

The rewards of productivity

BETWEEN 1963 and 1973 the chemical industry in the UK increased its output per head by 8.7 per cent a year, the motor industry by only 1.9 per cent. The chemical companies raised their employees' wages faster than the car makers, but showed a much better performance in gross output, in unit labour costs and in price stability. If the reasons for these differences in performance between one industry and another were more fully understood, then perhaps the key to a virtuous circle—high productivity, high wages, high exports, high investment—could be found.

Definitive answers are elusive, but some useful light on the problem is shed by a new study on trends in employment, productivity and labour costs between 1960 and 1973 carried out by the Department of Employment's Unit for Manpower Studies; the main findings are published in the May issue of the Department of Employment Gazette.

Employment

The study shows a general tendency for industries either to do well on all measures of performance or to do badly: industries with above average growth of labour productivity also experienced above average growth of output and employment and below average growth of labour costs and prices. But the statistical correlation between productivity and employment growth is apparently much weaker than in the period between 1924 and 1950, for which a similar study was undertaken some years ago. The two of the necessary conditions earlier study found that industries with the highest levels of productivity growth also experienced the highest rates of employment growth. No such relationship was found for the 1954-73 period, although the later study provided no evidence that productivity growth in earnings per head, if this leads to a general decline in employment, while this may be true of particular sectors, it is not true for all industries.

Another interesting difference concerns the relative importance of the movement of labour from low to high productivity growth industries, as opposed to productivity growth within industries. The earlier study showed that 50 per cent of the total growth of labour productivity in 1924-50 was associated with shifts of employment between industries. The results for 1954-73 show that while labour productivity grew by 117 per cent, only 10.3 per cent was due to employment changes. This may reflect the greater obstacles to labour mobility which have grown up in the past twenty years and which have been reinforced by recent legislation.

Attitudes

A greater willingness to accept these changes, and greater labour mobility, are undertaken some years ago. The two of the necessary conditions earlier study found that industries with the highest levels of productivity growth also experienced the highest rates of employment growth. No such relationship was found for the 1954-73 period, although the later study provided no evidence that productivity growth in earnings per head, if this leads to a general decline in employment, while this may be true of particular sectors, it is not true for all industries.



Construction equipment: hard dig out of recession

By KENNETH GOODING,
Industrial Correspondent

THERE WAS an atmosphere of desperation among the European manufacturers of construction equipment who gathered in Paris last week for a major international exhibition. They face so many problems and have suffered so severely during the recession that finding something positive and optimistic to report gave them great difficulty.

But the French came to the rescue. They were able to point to the results of some recent work they commissioned from the BIFE market research organisation. It concluded that international trade in construction equipment would grow at an average annual rate of 3 per cent in the years to 1985 compared with a 6 per cent growth expected for total trade.

This caused raised eyebrows among the British in particular as this 8 per cent forecast is right in line with what they themselves were expecting in 1978. In the light of the past couple of years' experience, however, the British have adjusted their expectations downwards.

In the 18 months to the end of 1977 the UK construction equipment manufacturers saw absolutely no growth in demand for their products and output remained at about £800m a year. There have been redundancies and short-time working has been, and still is, commonplace.

The French also have been scattering statistics to show how badly they have fared. Last year production fell by 7 per cent from the 1976 level to FFr 6.5bn (roughly £800m) and, since the peak period of demand in 1973, employment in the French construction equipment industry has fallen by 15 per cent.

The West Germans dropped broad hints that life has been even tougher for them because the Deutsche Mark is so highly valued compared with other currencies, making exporting that much more difficult. However, they managed last year to keep output at around the DM 5,290bn (£1,370bn).

In the face of completely lifeless home markets, the Europeans have been exporting as never before. But competition in the "active" markets has, in the words of one protagonist, "to be experienced to be believed."

It is not just the Europeans

who have been under pressure. In 1977 Caterpillar, which dominates the industry with 50 per cent of total world sales, pushed sales outside the U.S. up only marginally from \$2,945bn to \$2,966bn. Komatsu of Japan, second in the construction equipment league with a 10 per cent world share, managed a modest (for Komatsu) 5.2 per cent sales increase to Y424.48bn (\$1.9bn) last year.

The major (published) disaster story to emerge from the industry so far has involved Massey-Ferguson—one of the top six manufacturers—which reported in February estimated losses on its construction equipment business of \$60m last year.

M-F, at one time mainly an agricultural machinery business, has been investing heavily in construction equipment manufacture in recent years and has plants in Akron, Ohio; Brazil, and Aprilia, near Rome. Its major investment was the 1974 purchase of Hanomag, a West German concern operating from Hanover.

M-F is currently carrying out some studies to discover the exact amount of losses on construction equipment in recent years. This is not an easy task because of the high degree of integration of manufacturing and marketing operations for the farm, industrial and construction machinery lines.

The outcome of the studies is of great significance to the European scene because the heart of M-F's construction equipment operations is at Hanover. There seems very little likelihood that these operations will be cut severely and none of its rivals appears to believe M-F would contemplate a complete shut-down of its construction equipment business.

The construction equipment plants take Perkins engines and other expensive components from other M-F divisions and closure on the rest of the group would be substantial. And would it be politically feasible for a multi-national like M-F to close down recently acquired, major plants?

M-F took a great deal of space to display its equipment at last week's Paris show, called "Exponat," and it certainly gave the impression of "business as usual."

The M-F Board has pledged that

the distribution and development of construction equipment would be "fully supported" while the studies were being carried out.

Of course, a big cut-back or closure by a major group like M-F would make a lot of difference to the over-capacity problems the industry faces at the moment. It is debatable whether it would do much to halt the seemingly inexorable rise of the multi-nationals, which in the past 15 years have changed the face of the construction equipment industry to the detriment of the small companies.

The Committee for European Construction Equipment (CECE), representing manu-

... a degree of industry restructuring may be needed in the UK-owned sector ...

facturers in seven countries, points out that Europe ranks second only to the U.S. in output terms and produced around £3bn worth of construction equipment last year. And, because the U.S. manufacturers export a relatively low percentage of their production, Europe is the world's major exporter.

But the CECE statistics disguise the fact that the £3bn turnover has to be shared among 800 European manufacturers. How are they to compete with the major groups in such things as research and development? Compared with the annual \$9m spent on R and D by the UK companies, Komatsu spends around \$28m and Caterpillar \$44m.

There has been much chatter among the Europeans about possible technical co-operation deals and about swapping or sharing R and D facilities. It seems that the concept of full-blooded mergers between companies from different European countries is not being given much consideration.

To start with, the companies themselves are often very individualistic and fervently wish to preserve their independence. Then the current mood in the EEC seems to put international mergers out of favour—or so the ban of the

THE MAIN CONTENDERS AND SOME OF THEIR PRODUCTS

Company	Excavator	Wheel loader	Hydraulic excavator	Motor grader	Motor grader	Motor grader
Caterpillar						
Komatsu						
Case/Ingersoll						
John Deere						
Massey-Ferguson						
Hitachi						
Ford						
Clark						
General Motors						
Flak						
Valve						
Oronite & Koppel						
Chubb						
Bedford/Overhead						
J. C. Bamford						
Leyland						
Hyundai (Powell Duffryn)						
Prismac (Acron)						

The above chart, though not comprehensive, illustrates the competitive situation in some of the main sectors. There is a wide range of products within each sector, so that, for example, wheel loaders, companies may specialise in the heavier machines, and not compete directly against those offering only smaller equipment.

GKN-Sachs motor components merger would suggest.

The British manufacturers are typical in this context. For the past three years, since the start of the Government's industrial strategy programme, heavy hints have been dropped by the Department of Industry and National Economic Development Office officials that some reshaping of the UK industry was necessary. Indeed, the latest paper from the industry's sector working party, published in March, suggested that if the 1980 targets were to be achieved "and for some UK companies to

a reputation for tearing down price structures whenever they enter a market in a serious way. Makers of equipment in large volume are particularly concerned about Komatsu's plans. "The problem is," explained one British executive in Paris, "that the Japanese appear to want only a 2½ to 3 per cent return on their investment whereas my parent company is looking for 15 to 20 per cent."

So far it is not possible to forecast just how fierce the opposition to Komatsu will be among the British. But there is little doubt that the group will set up in Europe. Its main incentive is not so much the avoidance of discriminatory import regulations but the need to cut transport costs. High added value items like engines and some other components would still be shipped out of Japan but most of the components such as heavy castings would be made in Europe.

As well as the UK, Komatsu has been looking at potential sites in Belgium, Holland and West Germany. So the proponents of Komatsu's possible entry into Britain can argue that, if the group does not settle in Scotland, it will simply set up somewhere else on Britain's doorstep. "Even if, as seems very unlikely, every European country kept Komatsu out, it would simply find a base in the Middle East and supply Europe from there," was one comment.

It is not only in Britain that the Japanese manufacturers find themselves at the centre of controversy. Throughout Europe there is resentment about the way Japan is making headway into most of the world's important markets yet at the same time keeping its own doors tightly shut against imported equipment.

Dr. Heinz-Gunter Kohlen, a director of Orenstein and Koppel (O & K) of West Germany and current president of the European committee (CECE) complained, "Japan is at present a closed market. This has to be stopped. The Japanese must be made to understand that trade is a two-way operation."

Dr. Kohlen has just initiated talks with representatives of the American manufacturers and has persuaded them—without much effort—to join forces and put pressure on the Japanese to open up their market for construction equipment. Tactics will be finalised at a meeting in Chicago either late in June or early in July. Meanwhile, it is hoped, the Americans can raise the subject at the current round of GATT negotiations.

This latest bid to get the Japanese to how to the concept of "equal opportunity" in trade is more about a matter of principle than about opening up a tremendous new market for the European construction equipment makers. (The feelings of many UK manufacturers were expressed in this comment: "I wouldn't sell a thing to Japan. They would only copy it and sell it back to me made better and more cheaply.")

What of the immediate future? The British are very reluctant to make any forecasts at the moment because changes have been so sudden and unexpected in the past couple of years. The order intake has often picked up, only to fall and fall away again.

But if you press the point and ask how a company's fortunes compare today with the same period last year, the answer invariably comes back "much better."

Continued growth in world population and further improvements in living standards will create increasing demand for energy, food, housing, minerals and transportation. More and more construction equipment will be needed to cope with this demand. As Caterpillar's president, Mr. Robert G. Calmer, pointed out recently, "World economic output must increase by more than 50 per cent in the next 25 years to provide the equivalent of today's living standards to the population, which will inhabit the earth in 2000 AD."

However, what the European manufacturers have very much in mind is that nobody can guarantee them a fair share of this future growth in demand. It will require some dramatic changes if the multi-nationals are to be prevented from increasing their domination of the industry.

MEN AND MATTERS

Close watch on Eminent Persons

Blood pressures in the boardrooms of some big international companies are likely to leap in the next day or so, with the publication in Zurich of a heavily-documented report on "The infiltration of the UN System by Multinational Corporations."

The report has been prepared by two liberal groups, the Bern Declaration and the Europe Third World Centre. It is composed largely of letters and memoranda that circulated among the managers of Switzerland's largest multinational corporations (including Nestlé, Ciba-Geigy, Sandoz, Hoffmann-La Roche, Sulzer and Brown-Boveri) a few years ago. They document how these companies created a committee to lessen the possibility that a UN-appointed "Group of Eminent Persons" might make some severe recommendations to regulate the operations throughout the world of multinational corporations.

The Group's recommendations were, indeed, rather meek and mild: proposals for a permanent UN body to oversee multinational firms were rejected. The Zurich report claims that these developments were due to the efforts of the committee.

Two leading Swiss, connected with members of the committee, were appointed to the 20-strong Group of Eminent Persons: one was Arthur Firer, then general manager and today managing director of Nestlé; the other was Hans Schaffner, a former Swiss Federal Councillor who served as Economics Minister from 1961 to 1969, and who is now vice-chairman of Sandoz.

The Food and Agriculture Organisation supplied material for the Group. The Swiss committee's own report on multinationals was accepted as an official FAO document, via a body called the Industry Co-

operative Programme, which at that time represented "agribusiness" within the FAO. The companies' top-level committee also devised a strategy to counter the leading critics of multinationals, among them former EEC Commission President Sicco Mansholt (also an Eminent Person).

One aspect which will raise a few eyebrows is the way Schaffner, nominated to the Group as a governmental representative, was in close contact with the companies' committee while the Group was hearing evidence. The document also reveals an active co-operation between top Swiss government officials and Nestlé and other private firms in efforts to take the sting out of the UN investigations.

Just the man

Chief executives nowadays use a variety of techniques—often handwriting analysis—for choosing their successors. Sir Max Bemrose was explaining yesterday that when he decided to relinquish the chairmanship of the Bemrose Corporation, the

best idea seemed simply to ask senior managers which of them wanted the job. He told me how he first packed each manager off for three days of intensive management therapy. A five-day session with the American Management Association had convinced him that behavioural science and the study of management philosophy could revitalise the group.

The managers were asked to write a report on their experiences and, six months later, describe how they had implemented their ideas. Sir Max, who retired yesterday after 25 years as chairman, says that some did not bother to reply and that by far the best report came from David Wigglesworth, then the new divisional manager of the flexible packaging group.

Sir Max relates how when asked if he wanted the job of Chief Executive, Wigglesworth turned it down. But six months later—in what Sir Max describes as a classic reversal—Wigglesworth applied for the job. He was duly given it. As a footnote to this anecdote, I might add that on December 31 last year, Wigglesworth by himself and as trustee had 133,621 ordinary shares in the company, only just less than Sir Max, as well as 48,000 Special Ordinary Shares. His mother was a Bemrose.

Dutch treat

A bold attempt to switch industrial investment away from Britain to mainland Europe takes place in Manchester today. At the city's Chamber of Commerce, local industrialists will be wooed by development officers and bankers from Limburg, an area of southern Holland which juts down into Belgium and is flanked by Germany. As well as financial inducements, the state-backed NV Industriebank LIOF is offering joint venture capital. It takes up to 50 per cent of the shares

in a new business, with an undertaking to sell them back at purchase price plus an interest fee five or ten years later.

Bank chairman Pieter Nissen admits that Limburg's unemployment problem, caused mainly by the run-down of local coal mining, is tiny compared with that of Greater Manchester. There are about 19,000 unemployed men in Limburg, concentrated in two or three towns; nearly a quarter are over 50 and have opted for early retirement. The Greater Manchester area, on the other hand, has six-figure unemployment and is getting special government support.

Fighting fit

If energies ever flag at board meetings of property company Brixton Estate, there will be no shortage of war stories to stir the blood. The company's newly-published 1977 report lists the re-election of Marshal of the Royal Air Force Sir John Grandy; his fellow directors include Rear Admiral the Earl Cairns and Major General Sir Gerald Duke. The chairman, Michael Verney, was himself a colonel in the Warwickshire Yeomanry during the war.

Hard sell

A reader who was recently in Greece told me that while buying a copy of the Financial Times near his house he pointed out to the shopkeeper that a sign in his window was rather misleading. "It says 'All London newspapers sold'," he told him, "and some people might take that to mean that you had none left." The shopkeeper thanked him for the information, and later in the day there was a new sign in the window: "All London newspapers not sold."

The next time you go to the States on business take your wife and do it the cheaper way.

If you've always thought that crossing the Atlantic on the world's most luxurious ship, Queen Elizabeth 2, was a little extravagant, it's time to think again.

In fact, crossing on QE2 can actually work out cheaper than regular air fares.

The reason is a new special air/sea fare by Cunard and British Airways which allows you to sail out on QE2 and fly home all for £395. Or, if you prefer, you can fly out and sail home for the same low price.

Here is a comparison between these new fares and normal air fares to New York from London:

First Class QE2 Air/Sea fare round trip	£675-£715
First Class Air round trip	£748 (Concorde £908)
Tourist Class QE2 Air/Sea fare round trip	£395-£460
Economy Class Air round trip	£340-£414

Bear in mind too that once on board QE2 virtually the only things you pay for are drinks. 5 days of superb food and high living are all included in the price.

If you travel regularly to the United States on business, take your wife with you on your next trip and sail one-way on QE2. You will find it makes a nice change from the usual Transatlantic dash, and for the cost of an extra fare, sailing on this wonderful ship is a marvellous opportunity for you to enjoy the holiday of a life-time together.

QE2 crosses the Atlantic no less than 30 times between April and November. Many of her voyages are made over weekends so your return journey could easily take the form of a long weekend away.

Be warned though, once you have tried crossing the QE2 way, it could easily turn into a regular habit. For all the details of this remarkable offer, contact Cunard or ask your travel agent about it. Cunard, 8 Berkeley Street, London, W1. Tel: (01) 491 3930.

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FINANCIAL TIMES SURVEY

Thursday June 1 1978

No more soft options

By Martin Dickson

KENYA

Political stability and a high rate of growth have given Kenya the reputation of a Third World success story. But it has now entered a more difficult stage of development and faces some tough political and economic decisions.

FACED WITH major problems, it is natural for policy makers to think of the easy or soft way out. It has, ladies and gentlemen, taken us the last few years to accept that the era of soft options is over. Mwai Kibaki, Minister of Finance and Planning, January, 1978.

These words go to the heart of the major challenge now facing Kenya and form the theme of this survey. Over the past few years the country will have to face some very tough decisions across the board—economically, socially and politically. Mr. Kibaki's remarks—made at a conference of top Kenyans to discuss the future of the country—show that many government leaders are aware of the problems facing them. It remains to be seen whether they have the political resolve and economic means to translate grand-sounding words into effective action.

Since independence in 1963 Kenya has chalked up a highly impressive list of achievements. Its GDP has grown faster than virtually any other non-oil producing African State. Jobs held by white expatriates have passed relatively smoothly into Kenyan hands. Farms formerly held by British settlers have been redistributed to Africans, by and large in an orderly fashion, and the country has built up one of Africa's best smallholder agricultural sectors (although there is much that can still be done here).

All these achievements have been underpinned by the country's stability, attributable largely to the political acumen of President Kenyatta, whose personal magnetism transcends narrow ethnic loyalties. This, coupled with his careful balance-

ing of tribal representatives within his Cabinet, has gone a long way to defuse latent ethnic frictions.

Yet if Kenya's reputation as a Third World success story is superficially symbolised by central Nairobi, with its heavy emphasis on material goods and its free-wheeling capitalist atmosphere, the polythene covered shanties on the outskirts of the city point up a different lesson.

There is a wide gulf between the haves-nots and the small, rich elite of Kenyan society. It may be no worse than in some other African countries, but that is little consolation to the poor. What matters is that there is considerable grassroots resentment over the amassing of wealth by the elite, some of it by highly questionable means.

Some of the Government's policies since independence—such as Kenyanisation of jobs and land reallocation—have acted as a political safety valve. But there is now not that much more land to reallocate nor many more jobs to Kenyanise. With tougher economic times ahead, there can be no guarantee that this safety valve will continue to work. There can be no room for complacency.

The challenges facing Kenya have in many respects been visible since the early 1970s (and have been well described by the International Labour Office and the World Bank) but they have now crystallised more clearly than ever.

Central to them is the need for a more equitable distribution of wealth. This is accepted Government policy, but there are powerful vested political

and economic interests which could militate against achievement of the goal.

Moreover, this policy has to be pursued against a short-run backdrop of looming balance of payments constraints (which the tea and coffee price booms of recent years have delayed but not averted) and a rate of inflation which is at present causing concern, particularly since much of it is domestically generated.

Much of Kenya's high rate of development since independence results from the greater utilisation of resources which are relatively easy to exploit, such as land of high agricultural potential. This is one of the things Mr. Kibaki was referring to when he spoke of past "soft options"—though in fairness to Kenya it should be said that while the options may have been simple to choose, implementation was not necessarily easy.

The country is now entering a much more difficult area of development, where the returns are likely to be lower. And a lower growth rate will make more difficult the policy of "redistribution through growth"—the more equal distribution of future income increments.

As regards domestic politics, the prime issue of debate ends in an unanswerable question: What will happen to Kenya after Kenyatta? Given the importance of continuing stability, this is perhaps the most crucial single challenge facing the country.

The President is still firmly in command but he is now well into his eighties. The Kenyan constitution is clear on what

would happen in the event of his death: the Vice-President, Mr. Daniel Arap Moi, would take the reins of Government for 90 days, during which time elections for a new President would be held.

However, during the past two years this formula has been challenged in a manner which points up the jostling for power within the elite and the coalescing of two loose, rival factions—one centring on Mr. Arap Moi, widely considered to be the front runner in the succession stakes, and the other on Dr. Njoroge Mungai, President Kenyatta's nephew.

These rivalries came clearly into public view in late 1976, when politicians associated with Dr. Mungai proposed that the constitution be changed so that the Vice-President would not take over for the 90-day period. Instead, a neutral figure, perhaps the Speaker of Parliament, should head a caretaker administration.

The movement was halted—at least publicly—when Mr. Charles Njonjo, the Attorney General, declared that the debate touched on the health of the President and that discussion of this was a crime that could be punished by death. Mr. Njonjo, one of the key figures in Kenyan politics, is close to remain divided, but to date the authorities have frustrated his attempts to make a political comeback.

Competition between the two power groups was a feature of the strong campaigning last year within KANU in preparation for elections for the party's

only people at the top, but the smallholder tea and coffee farmers of Kikuyuland who have benefited particularly from the boom in these commodities.

While obviously of importance, these jostlings for power are in a sense a side issue to a central challenge facing Kenya—to what extent can entrenched political interests accommodate change. Little can be expected in the short term, but a future administration might well wish to establish its credentials and popularity with a more populist programme. But just as vested interests may prevent future instability, so may they thwart fundamental change.

Kenya is, after all, a country remarkably devoid of overt ideological disputes. Although a vocal minority at Nairobi University espouses radical causes, many Kenyans seem geared to achievement within the existing laissez-faire framework. But there is no way of knowing whether more radical ideas are circulating among the discontented.

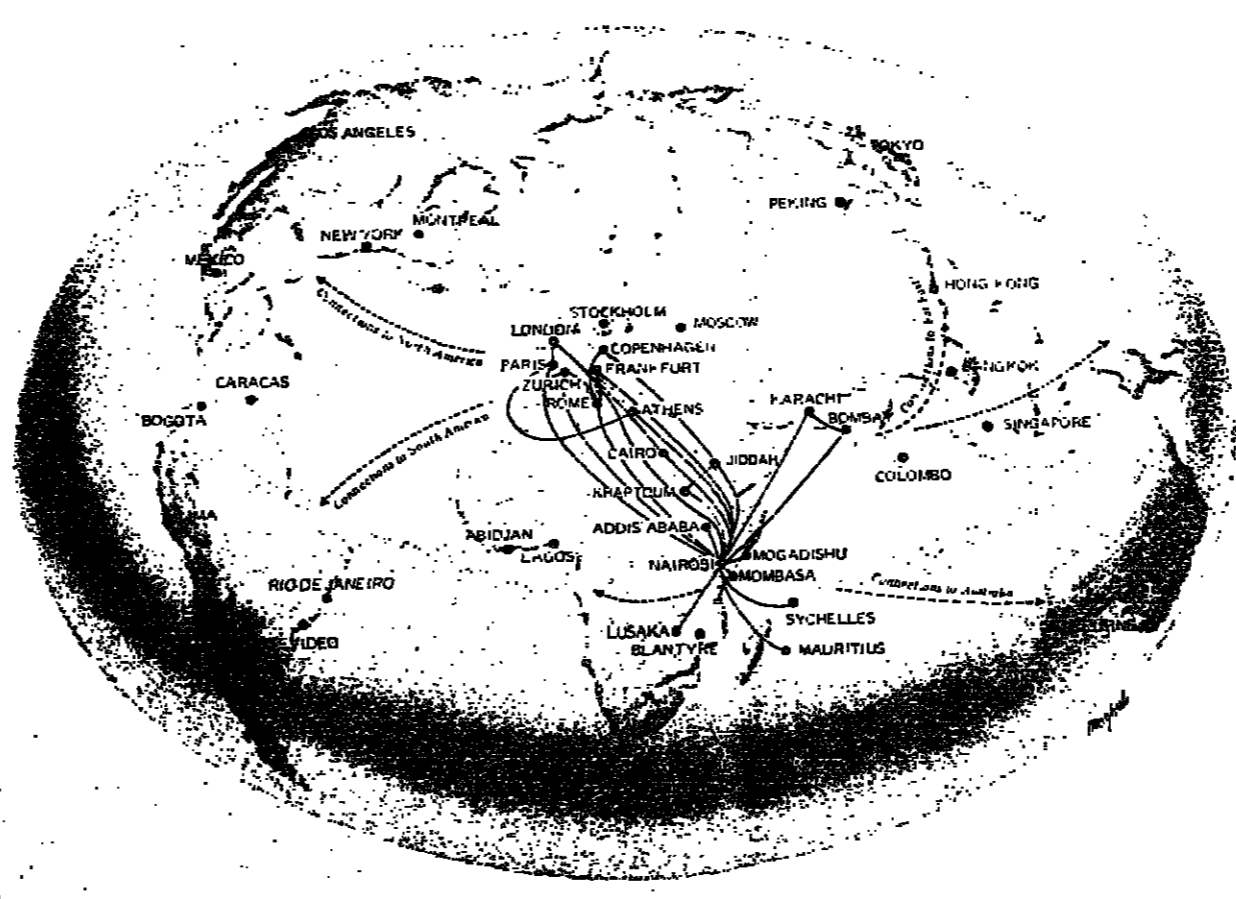
During the past few years the authorities have not shown themselves to be benignly disposed to those few politicians who have questioned the ordering of society. Although some lively debates still take place in the Kenya Parliament, it is not the place it once was. Some of the most critical MPs are now in detention and others are silent, fearing that if they step too much out of line they will go the same way.

J. M. Kariuki, one of the most outspoken and popular of Kenyan MPs, was found brutally murdered outside Nairobi in 1975. Just who killed him will never be known. Although the national trauma created by his death has now faded, there remains a residual fear of potential violence lurking beneath the surface of political life.

Since then, several critical MPs, including the Deputy Speaker, have been detained, as has the Left-wing novelist Ngũgĩ Wa Thiong'o. But despite the detentions, Kenya remains one of Africa's most open societies as regards political debate. And it has a far better human rights record than many countries. There are estimated to be only about a dozen political detainees.

CONTINUED ON PAGE 21

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KENYA II

Boom coming to an end

BY ANY standards Kenya's estimated GDP growth of 6.7 per cent this year—albeit down on 1977's 8 per cent—is impressive, and some of the results can be seen in the modern, bustling capital of Nairobi. The country is still enjoying the impact of record coffee and tea prices and every sector of the economy benefited in 1977.

Nevertheless, the boom—which led to the remarkable recovery over the past two years, following the oil crisis in 1974 and the crippling drought of 1974-75—is coming to an end, although the lag in receipts masks this fact. This is likely to be underlined in the coming months by a fall in coffee earnings. This year's crop of some 75,000 tonnes is 25 per cent down on last year, while first indications for 1978-79 suggest that the crop will be around 70,000 tonnes.

Without the massive leap in export earnings from the two crops—K\$588m in 1975 and K\$276m last year—the Kenyan economy would have been in serious trouble. As it turned out there has been a valuable breathing space in which the economic planners could prepare for the development of the 1978-83.

There is a growing acceptance among both politicians and civil servants that the country must brace itself for a tough and challenging period, in which some hard decisions have to be implemented. The issues are not new, but the framing of the 1978-83 plan concentrates attention upon them: the need to combine efforts to bring about a more equitable distribution of income; to make industry more export-oriented; to ensure that a greater proportion of Government and international aid reaches the marginal and semi-arid areas which represent 81 per cent of the land and house about a third of Kenya's 14.5m people; and to reduce the 3.5 per cent population growth.

But apart from coffee prospects and import levels there is one outstanding reason why IMF aid will be needed: increased defence spending.

It consisted of a reasonable 12.5 per cent of the 1977-78 budget, but rose to 18 per cent after the K\$65m supplementary estimates, and further spending is necessary because of instability in the region and, in particular, concern about what is perceived as Somalia's intention to pursue territorial claims in north-east Kenya.

The third problem is inflation, currently about 14 per cent and rising according to some observers. In the first ten years of independence Kenya experienced little or no inflation. In 1974-75 much of it was imported, mainly due to the oil price increases, but 1977 saw the beginning of domestically caused inflation when money supply increased by a staggering 47 per cent as coffee and tea money poured in.

Last month the central bank introduced tighter measures to keep the supply in check. Overall credit expansion by the commercial banks will be 22 per cent during the fiscal year 1978-1979. After taking into account expected credit to Government, this will limit credit expansion to the private sector to about 18 per cent in the year ahead, compared to the 33 per cent expansion in bank credit to the private sector in 1977.

Adding to the planner's difficulties is the fact that the development issues must be tackled by a series of what the Minister of Finance, Mr. Mwai Kibaki, called "hard" policy options.

As set out by Mr. Kibaki, the "soft options" of the past have included: Kenyanisation of the public sector; redistribution of the "scheduled" (white-farmed) areas; attraction and protection of direct overseas investment; development of financial and other secondary institutions to serve industry in urban areas; development of the urban infrastructure; import substitution; and extension of basic education.

Each of these has a hard counterpart for the future: Kenyanisation of the private by a small delegation from the International Monetary Fund; reclamation of marginal land; extending infrastructure in areas of marginal productivity; development of local entrepreneurs; development and protection of local infant industries; rapid rural development in part through greater agricultural credit; rapid expansion of domestic marketing and distribution systems; development of rural infrastructure; diversification of industry, and integrating industry and agriculture; generating employment opportunities; and modifying the education system to meet future needs.

Missing from the list of "hard" options, however, is a commitment to an effective population policy. Government efforts have done little if anything to stem the 3.5 per cent growth rate—yet it is an issue which Kenyan politicians seldom comment in public.

What, then are the plan's targets? It will not be published until later this year and only the broad principles are available. But given the intention to alleviate poverty, the plan will have to concentrate on basic needs: nutrition, health, education, water supplies. Clearly the marginal areas should have a development priority, with emphasis on irrigation and marginal farming techniques.

In the high productivity areas—mainly a belt of land running from Nairobi, west to Kisumu and north to Nanyuki—which produces the bulk of marketed agricultural produce, up to 60 per cent of smallholders are currently benefitting from cash crops. But the remainder should be encouraged partly because of the break-up

BASIC STATISTICS

Area (square miles)	244,900
Population	14.5m
GNP (1976)	K\$1.37bn
Per capita	K\$90
Trade (1976)	
Imports	K\$407m
Exports	K\$330m
Imports from UK	K\$97.7m
Exports to UK	K\$61.3m
Trade (1977)	
Imports from UK	K\$118m
Exports to UK	K\$155m
Currency: Kenya shilling/pound	Sh1=Shs14.4 Sh1=K\$9.72

through increased extension services and access to credit facilities.

In the industrial sector, most economists recommend the faster development of agro-industries, a diversification of exports accompanied by improved export incentives, and the establishment of more small-scale industries in the rural areas.

Providing jobs will be one of the biggest challenges, yet neither the modern nor the "informal" sector (described elsewhere in this survey) can meet the demands.

The labour force is increasing at a rate of at least 250,000 a year. Even if there is a six per cent annual increase in the 900,000 strong modern sector, an optimistic forecast—that still leaves some 200,000 (in addition to existing unemployed)—for whom jobs must be found in agriculture, petty trade, and other "informal" sources of employment.

The majority of the work seekers will, it seems, have to find jobs on the land. Given that the average size of smallholdings is a mere 2.3 hectares, it will be hard to place them. Clearly more labour intensive techniques, accompanied by technology appropriate for semi-arid lands, small-scale ranching and village workshops will be necessary.

Equitable

According to one estimate, during the 1960s it cost a capital investment equivalent to today's prices of about K\$4,000 for each new job created in the modern sector—compared to a mere K\$40 in the informal sector.

Economists also believe that the plan should attempt to prevent the rural-urban terms of trade returning to favour the urban sector, as they did until the crop price increases in 1976. The terms must, as coffee and tea prices fall, swing away from the rural sector, but through pricing and other policies the Government could maintain the more equitable level that existed in 1976.

Foreign aid—K\$45-50m in 1977—is expected to run at K\$70-100m per annum (constant at 1976 terms) during the five-year plan. The rate of foreign investment is also expected to remain constant.

In the case of the latter, outflow in the form of remittances of profits and dividends leaving net foreign investment of zero (though it fluctuates from year to year). But re-investment of profits accruing from foreign funds runs at K\$40m a year, and is expected to remain at that level.

The plan's GDP target currently being debated is 6 per cent a year, though this may be reduced to 5 per cent, which some observers believe is a more realistic figure.

The reason is that some of the resources available in the first decade are either exhausted or reduced, and certain "soft" policy options are, as Mr. Kibaki points out, now closed. One of the most worrying consequences is the severe pressure on land. Resettlement of previously white-held mixed farms is now largely completed, yet one estimate puts landless migrants at 400,000 in 1976, growing at 15,000 a year.

Hence the need for exploiting marginal lands, and perhaps measures such as placing a ceiling on land ownership, taxing idle land and subdividing larger farms, while maintaining rapid growth of non-agricultural employment opportunities.

A further demanding issue is the requirement that there be a greater shift from the industrial policy of import substitution to agro-industries, gradual lifting of some of the existing protective measures which have led to the production of items which would be cheaper if imported and a determined export drive.

So far the export record is disappointing. Although exports rose 46 per cent in value in 1977 over 1976, this was entirely due to coffee and tea sales, and at constant prices the growth of exports has been slower than the growth of the economy as a whole. This is remainder should be encouraged partly because of the break-up

of the East African Common Market and has forced industrialists to look to Europe, North America and the Middle East for new markets.

Inevitably, the inadequate export performance raises the question of devaluation. Some of the exhibitors at the recent Kenyan trade exhibition in New York returned complaining that they simply were not competitive. However, the Kenyan shilling, by being tied to the SDR, has been floating down (by 5 per cent in 1977) against the EEC countries—Kenya's main trading partners.

A strong argument against devaluation is its impact on the prices of imports, only one-fifth of which are direct consumer products. But it could force industry to make greater use of local materials and encourage them to turn to agriculture-based manufacturing, and allow Kenyan exports to become more competitive. The alternative is a continuation of the export subsidy policy (10 per cent of the value of exports provided local content is at least 30 per cent). But this has proved ineffective.

The planners must also fill some of the gaps between intention and achievement under the 1974-78 plan. Of course, no government can stick to development plans to the letter; economic conditions on which they are postulated are almost certain to change. As one observer put it, the plan should be treated as a statement of

Government intentions, which often may not be fulfilled within the period set down, but at least the plan can help shift Government policy in the right direction.

That said, it is nevertheless worth raising one area where the 1974-78 plan failed to meet targets—because it has made some of the tough options that lie ahead even tougher. The commitment to "redefine the size of all co-operative and low density settlements" and the criteria for "land ownership" as part of an effort to create 350,000 new agricultural smallholdings, was not met.

In the view of some observers there has been a tendency to allow the economy to drift because there is no short-term economy management. "Nothing happens between budgets—and then little happens in the budget itself," commented one economist. But there is now more scope for independent change of tariff policy since the demise of the common external tariff of the EAC.

Yet what remains impressive is the vigorous, often public, debate taking place about policy priorities and targets, with no lack of self-criticism about performance in the past.

The biggest question then, that hangs over the Kenyan economy, is whether the decision-makers will be prepared to implement the tough options that have been identified.

Michael Holman

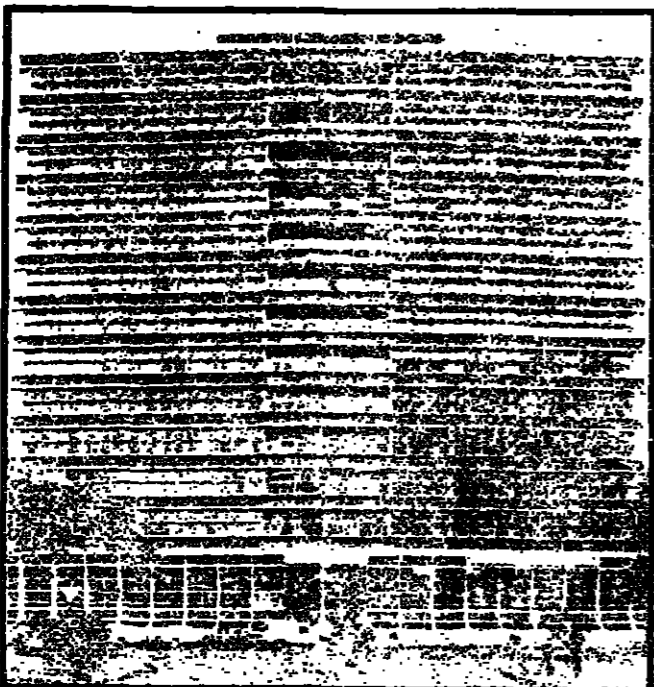
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Heavy emphasis on agriculture

AGRICULTURAL development Planners are hoping that over the next five years agricultural output will continue to rise at a rate of 5 per cent per annum (7 per cent for the most obvious and crucial per cent of the development resources). Kenya has done increasingly well with its agricultural resources, but the way ahead will be difficult. Kenya has done increasingly well with its agricultural resources, but the way ahead will be difficult. Kenya has done increasingly well with its agricultural resources, but the way ahead will be difficult.

Kenya's foreign exchange earnings (coffee, the largest single revenue earner, together with tea, sisal and pyrethrum making up the largest proportion of this). Agriculture makes up around 30 per cent of the GDP.

Possessing no significant mineral resources, Kenya has had little choice but to lay heavy emphasis on agriculture, and it has been helped (though some would argue as to what extent) by the existence of a reasonably well developed infrastructure left by the British settlers.

But even with these comparative advantages, it is a considerable achievement that the agricultural sector (monetary and non-monetary) had an annual average growth rate of about five per cent per year in real terms between 1964 and 1972.

Between 1973 and 1976 the sector was hard hit by drought, and it is something of an achievement that the growth rate was just prevented from becoming negative. Better weather conditions in the past two years have helped a strong recovery. Gross marketed production was estimated to have increased in real terms by some 12 per cent in 1977 over the previous year.

Two particular strengths of the sector need emphasising. First, it has become very well diversified. To a considerable extent, protecting the country from the boom-bust cycles of mono-crop economies. Second, it has made Kenya virtually self-sufficient in food, entailing a valuable saving of foreign exchange (though some would argue that the Government's "self-sufficiency" doctrine can be carried to excess).

After independence, many of the old mixed white farms were broken up into smallholdings or co-operatives, while in the tribal areas the Government has progressively consolidated individual holdings and granted individual title to the owners. Many people attribute the success of the smallholding sector to the granting of individual title (a rarity in Africa), though there is an influential school of economists who dispute this.

Smallholders now produce some 60 per cent of Kenya's marketed agricultural production (the remaining 3,200 large farms, plantations and ranches contributing the rest). But this figure underestimates the importance of the smallholders. Not only does non-market production account for up to 60 per cent of their output, but they produce most of Kenya's pyrethrum and about half its most important foreign exchange earner, coffee.

However, there remain wide income differentials not only between those smallholders in the high-potential areas and those being increasingly pushed by population pressure into the marginal lands, but also between farmers in the high-potential areas.

Much can therefore still be done to raise smallholder productivity in the high-potential areas, including improved access to credit for inputs such as fertiliser (in the past credit has been more easily available for the large farmer), better crop mixes (with perhaps an increasing emphasis on labour-intensive horticultural crops) and improved extension services. Although Kenya has a much higher ratio of extension workers to farmers than most African countries, the quality of the extension service is open to question.

Another important issue in the high-potential areas—with strong political overtones—is the future of the remaining 1,800 mixed farms (but not plantations) owned individually or by small groups, some of which are making very efficient use of the land, while others are most certainly not.

Kenya now has an estimated 400,000 landless people, and for years the Government has been indecisively debating whether

or not to ameliorate this rural employment problem by breaking up many of the remaining large farms into smallholdings, as well as looking at the apportionment of land on co-operatives. The argument goes that the only large farms vital for the economy are those used for stock breeding and the production of high-quality maize seed.

As it is, a substantial number of the large farms have already been divided *de facto* into smallholdings, and these will be given *de jure* status under the new 1979-83 development plan. But what of the remainder? The influential large farm lobby is naturally against sub-division and Government policy remains confused.

But even if the Government were to go ahead, sub-division would only be a partial palliative to the rural employment problem, given the large number of landless who need to be absorbed and the limited number of large farms. The emphasis has to be on development of the marginal lands and on other policies.

Given the immense variation in the quality of the marginal lands, they require an extremely challenging range of approaches, depending on local conditions. Three broad possibilities stand out—improved arable farming in the less arid areas; large, intensive irrigation schemes; and improved ranching in the more arid areas.

Development of the less arid arable areas is in itself very difficult, not least because farmers entering these areas from the high potential areas bring with them farming techniques which are totally unsuitable, leading to crop failure, desertification and increased poverty.

Heavy emphasis is therefore placed here on integrated agricultural development programmes for a whole area, with a strong accent on bringing credit to the smallholder. There are, however, some who would argue that in the past too much emphasis has been given to immediate credit (with a low repayment rate) rather than the provision of the infrastructure which has to underpin higher output.

Also, much work still has to

be done on the technical side of developing these areas, covering such questions as the development of small-scale water management schemes, moisture retention by the soil and crop mixes and crop strains. Crops suitable for these areas include drought-resistant maize, sunflowers (Kenya is still an importer of vegetable oils) and cassava.

With few major rivers, Kenya has only a limited potential for large-scale irrigation schemes, which are expensive and require very careful management. Particular controversy at present surrounds the Bura development scheme on the lower Tana river, where the Government plans to settle 10,000 small-scale farmers, largely growing cotton, at a cost of \$100m. Some aid donors argue that the scheme is just not financially viable.

Kenya's, however, maintain that the plan has to be looked at as a totality and not just a pound for pound equation between inputs and outputs—the scheme will generate some

hydro-electric power, it will allow savings of foreign exchange on cotton imports and, perhaps most important of all, will help alleviate land pressure.

Aid donors are now being strongly attracted to the development of marginal lands, and in the past few years Kenya has heavily reorientated its own disbursement of development funds towards the agricultural sector. The main problem now is not so much the level of funding but the rate at which it can be absorbed by the sector. Unless projects are planned carefully, money might be simply poured down the drain. There is not necessarily a correlation between greater expenditure and higher output.

How does all this impinge on wider questions of development strategy? A central theme facing the Kenya Government is the need to alleviate rural poverty, narrow the income gap between the towns and the countryside and stem the drift from rural areas to the cities. If pursued with sufficient vigour, all these agricultural policies will contribute to this, as will a greater emphasis on the informal sector of the economy, a new educational strategy emphasising technical rather than academic training and moves for the decentralisation of industry.

The rural-urban terms of trade have swung strongly in favour of the rural areas in recent years, largely thanks to the tea and coffee boom, which is now abating, and partly because urban workers' pay has been held down. The Government is hoping to hold the terms of trade steady at the 1976 level, but there are some economists who fear a reversion to the inflation abates considerably, real per capita rural incomes might decline over the next few years. Others, however, argue that these projections are based on far too gloomy assumptions.

Planners also argue that to a considerable extent the problem of rural employment is not

from any gratuitous desire to emphasise on the "informal" sector of the economy, as also suggested by the ILO. But words still have to be translated into action. The country's new five-year development plan, to be unveiled at the end of this year, takes as its theme "the alleviation of poverty." Realistic Kenyans admit that there will inevitably be a lag between formulation and implementation. The political challenge facing the country is to see that there is clear movement towards implementation and that the time gap is not too great.

As Mr. Kibaki concluded after examining the "hard options" facing the country: "We can avoid, postpone or even rationalise these issues away. But sooner or later these educational system along the lines suggested by the ILO and at last seems to be placing more resolved."

Martin Dickson

Options

CONTINUED FROM PAGE ONE

There may be force in the argument of one well-placed source that the Government has to look after the interests of 12m Kenyans and not "12 subversives." Stability is one of the country's most precious assets.

But it remains debatable whether the interests of society are best served by detaining those who point a finger at its failings in a country which is a *de facto* one party state and where that party is not in itself an effective channel for grassroots feeling. KANU may spring into action when parliamentary elections are held, but it does not appear to do a great deal at other times. Indeed, last year's postponed party elections won't have been the first in over a decade. In Kenya much of the responsibility for articulating popular feeling therefore falls on back-bench MPs, the detention of whom may make

the leadership more isolated. Corruption is recognised by many Kenyan leaders as a serious problem. Only last month the outspoken Attorney General said it was an "open secret" that this existed among top Government officials. And last year the official Government radio commentary complained that "the incidence of corruption in the country, especially the civil service, threatens the very fabric of society."

The Government does, it is true, take action against corruption, which is not as pervasive as in some other parts of the continent, but by and large it is the small operator who gets caught.

Problems

If this article points a finger at some of the problems in the Kenya body politic, it is not

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I. Introduction

Kenya welcomes local and foreign entrepreneurs to invest in the country. Kenya has a mixed economy in which the private sector plays a crucial role in the establishment of production activities. The Government supports the private sector through parastatal development finance institutions (the most important ones being the Industrial and Commercial Development Corporation, the Development Company of Kenya and the Industrial Development Bank) which provide long-term loans and participate in the equity of the firms as and when considered desirable.

The transportation and communications system within the country and with other African states and the rest of the world, are adequate and constantly improving. Kenya has good infrastructural facilities like roads connecting Nairobi, the capital city, to different centres within the country and to different African countries like Uganda, Tanzania, Ethiopia, Zambia, Rwanda, Burundi, Zaire, Central African Republic, Cameroon and Nigeria to Lagos. The country is also being connected to Sudan. Communication to Europe and other western countries is easy and quick through telex and telephone. Kenya is connected internationally through the busiest sea port on the east coast of Africa at Mombasa, and two international airports at Nairobi and Mombasa. The international and local airline services are very good. There is also a railway line connecting important towns within the country and East Africa.

II. The State of the Economy

Kenya had an estimated population of 13.8 million in 1976 which is growing at an approximate annual rate of 3.5%. The total population is expected to be around 16 million in 1980, and around 22 million in 1990, providing an increasing domestic market for local industries.

The gross domestic product has increased at a cumulative rate of 7.1% in real terms between 1964 and 1974 indicating the health and stability of the Kenya economy. During 1974-76, in spite of world-wide recession and inflation, the performance of the Kenyan economy was better than most of the developing countries and even some industrialised countries. In 1977, the gross domestic product increased by an impressive 7% to 8% in real terms, and the real growth rate anticipated in the forthcoming 1978/83 Development Plan is around 6%.

The manufacturing sector accounts for about 15% of Kenya's national income in the monetary sector. Since independence, Kenya has developed a diversified and vigorous manufacturing sector. It is the result of the trust and confidence of the foreign and local investors in the future of this country and a fruitful co-operation between the Government and the private sector.

III. Protection of Private Investment

The official attitude of the Government is friendly towards private foreign investment. The Government protects private foreign and local investment against

compulsory acquisition through provisions contained in the Constitution. In an extreme case of unavoidable acquisition in public interest, full and prompt compensation payment would be made.

The Foreign Investment Protection Act provides statutory protection to approved foreign investment. Under the Act, the Government issues a certificate of Approved Enterprise to foreign nationals who invest foreign assets or re-invest their profits in Kenya. A holder of such a certificate is entitled to two major ranges of protection with respect to repatriation and compulsory acquisition. The repatriation guarantee permits the transfer out of Kenya in the approved foreign currency and at the prevailing official rate of exchange: (i) the profits after taxation in proportion to the investment in foreign equity; (ii) approved proportion of the net proceeds of sale of all or part of the approved enterprises; (iii) the principal and interest of any loan specified in the certificate.

Besides the Foreign Investment Protection Act, the Government has recently established the export compensation scheme which is intended to encourage manufacturers to increase their exports to countries all over the world. The scheme provides for payment to the manufacturer of 10% of f.o.b. value or 10% of the foreign currency proceeds of exported goods that are locally manufactured. Duty drawback are also given in certain cases where raw materials required in the manufacture are imported. Tariffs are also used to protect local infant industries against stiff external competition.

IV. Industrial Licensing

Kenya has a very liberal industrial licensing system. No licence is required to set up manufacturing activities in the country. Except in a few cases, anyone can establish an industry to manufacture any product whatsoever. Prospective local investors are, however, advised to inform the Ministry of Commerce and Industry about the investment proposal in order to ensure that there are no superfluous investments. Foreign investors are advised to get their projects approved by the New Project Committee so as to facilitate the issuance of the Certificate of Approved Enterprise by the Ministry of Finance and Planning.

V. Taxation

The corporation income tax in respect of corporations (i.e., firms and companies) resident in Kenya is 45% while the rate for non-resident corporations is 52.5% of the profits excluding dividends received from resident companies. There is a capital gains tax of 35% of the capital gain realised on the transfer of chargeable property.

New investments enjoy a number of generous tax reliefs in Kenya. In addition to expenses wholly incurred in the production of the income, various other deductions for the purpose of income tax are permissible including annual deductions for certain classes of capital expenditure incurred for business purposes. Industrial buildings such as factories, are allowed to deduct 2.5% annually of the expenditure incurred on their construction, or an increased deduc-

tion where the life of the building is less than 40 years. For hotels the deduction is 4%. Plant and machinery are allowed 12.5% to 37.5% on the written down value. In mining ventures, 40% of the expenditure in the first year is eligible for deduction, thereafter 10% in each of the successive six years. In farm works, 20% of the capital expenditure is allowed to be deducted in the first year, and each of the four following years. An initial investment allowance of 20% of the cost of new industrial buildings, plant and machinery initially placed therein, is allowed to investment in manufacturing outside Nairobi and Mombasa.

VI. Investment Priorities

Agriculture is the backbone of Kenya's economy, and the country depends heavily on agricultural products for its foreign exchange earnings. The emphasis on investment priorities at present is to shift from import-based projects into industries that make heavy use of labour and other natural resources of the country. Abundant labour is available and there is a tradition of harmonious employee-employer relationship in Kenya. The aim of this new approach is to utilise as much as possible of Kenya's own materials in order to create employment opportunities, save on expensive imports, increase valuable exports and generate wealth and expand all kinds of supporting businesses in the countryside where the bulk of the population resides.

VII. The Role of the Central Bank

The Central Bank is the principal financial institution in Kenya, with technical powers of credit creation and legal powers to regulate the operations of commercial banks. Apart from being a source of expert advice to the Government on monetary policy and fulfilling the function of lender of last resort, the Central Bank acts as banker to the Government, and is the administering agent of the national debt. In its relations with the money and capital markets, it is the means of encouraging the development of local financial institutions and of guiding their operations to meet the broad economic goals of the country.

The Central Bank thus supports the Government investment objectives specified above. It firmly believes that available limited foreign exchange should be used for productive purposes. The Bank also believes that economic production must be soundly based and industries should have a strong local input of labour and materials. It should also be undertaken by Kenya citizens, whenever this is feasible. As a conscious policy, therefore, the Bank is limiting the amount of credit that can be borrowed by foreign controlled companies engaged in marketing and distribution. For foreign owned manufacturing companies and corporations based in agriculture and tourism, the borrowing limits are not only liberal but these sectors are also given every encouragement for investment. It should, however, be noted that Kenya's exchange control is mild and liberal in comparison with many developing countries. Moreover, the Central Bank has usually been quite flexible in the way it administers the controls.

Kenya has a fairly well developed financial infrastructure which is dominated by 14 commercial banks operating around 273 branches, sub-branches and agencies, besides mobile banking units. This gives around 25 banking offices per one million of the population or one banking office for every 40,000 people. Some of the banks in Kenya have international links and the big four are the Kenya Commercial Bank, Barclays Bank International, Standard Bank, and the National Bank of Kenya. Together they account for about 70% of total bank deposits in the country. The remaining ten are the Grindlays Bank International, Bank of Baroda, Bank of India, First National Bank of Chicago, the General Bank of Africa, City Bank, the Co-operative Bank and the Bank of Credit and Commerce International (Overseas) Limited. A fifteenth bank, Habib Bank A.G. Zurich, has been registered and will shortly be opening its offices in Kenya's booming capital city.

Kenya also has a diversified system of non-bank financial institutions consisting of a post office savings bank, housing finance companies, hire purchase firms, industrial development banks, development corporations and several insurance companies. Many of these institutions solicit deposits from the public which are not disposable by cheque. The lending activities of these institutions are more specialised than those of commercial banks; yet they do exert some influence on the money supply in the course of their lending activities though that influence is not as pervasive as that of commercial banks.

The monetary policy pursued by the Central Bank aims at managing the financial system in such a way as to contribute to the Government's objectives of increasing the level of employment and investment and reducing the rate of inflation in the domestic economy. During the twelve years that the Central Bank has been in existence, Kenya has maintained sound money, i.e., money that is an acceptable and relatively stable medium of exchange and standard of value, and a dependable store of wealth. Available evidence shows that the Kenya currency is not only sought after and held by our own people but is also desired by nationals of neighbouring countries. It is in fact trading at a substantial premium in border areas. The economic growth that Kenya has achieved since independence owes a great deal to the sound currency that is circulating within the economy.

In conclusion, it may be said that Kenya offers attractive opportunities to investors both local and foreign, seeking fast and profitable opportunities. It has a large surplus of labour and a tradition for political stability and economic pragmatism.

Kenya's outstanding reputation for stability and efficiency has played a very significant role in the expansion of her economy. The Government's consistent policy measures have stimulated an orderly and rapid industrial development which has led to a gradual transformation of the economic structure. Domestic resources have provided a sound base for the development of industry. The search for new profitable opportunities for further exploitation of local resources is a major priority.

KENYA IV

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Import curbs possible

THE LARGEST overseas trade fair ever staged by Kenya took place in New York last month. The aim was both to attract new foreign investment and, perhaps even more important, to give Kenya's exports a sorely needed shot in the arm.

In recent years the country's overall export performance has been disappointing, although high prices and production of tea and coffee have had an ameliorating short-term effect. The break-up of the East African Community last year has added to the export difficulties.

One indication of the sluggish performance is that between 1972 and 1976 exports are estimated to have grown by about 27 per cent a year, but most of this was due to price rises and only 1.7 per cent to volume increase. Nor did exports show any volume improvement last year, apart from tea and coffee.

It is argued, however, that last year's poor export performance is in part attributable to high domestic demand and to a substantial amount of smuggled exports to Uganda.

The tea and coffee boom of recent years has provided the country with a breathing space. Kenya's terms of trade improved by 20 per cent in 1976 over the previous year and was restored to the 1972 level, thanks primarily to the very high price of coffee.

Continuing high coffee and tea prices, together with record production of both crops, were also largely the cause of the estimated 47 per cent rise in the value of Kenyan exports last year over 1976—from K£318m to K£469m. With imports up by an estimated 32 per cent to K£533m, this left the country with a visible trade deficit of around K£84m, down from K£87m in 1976.

Kenya has traditionally run a substantial direct trade deficit, with earnings from invisibles, above all tourism, reducing this but still leaving an historical deficit on current account. One unusual feature of last year's exceptional performance was the recording of a small current account surplus.

However, falling tea and

coffee prices mean that Kenya now faces a deterioration again in terms of trade and the likelihood of a serious trade deficit by the end of the year (possibly of more than K£200m), which could rise further in 1979 and 1980 unless strong measures are taken to curb imports. It is therefore possible that before the end of the year Kenya will impose restraints on imports, which were showing a worrying rise in value terms towards the end of last year.

Britain remains the country's largest trading partner and would be affected more than most others by any such move. Excluding oil imports, Britain last year accounted for 23.6 per cent of Kenya's imports by value, with Japan holding 18.7 per cent of the market and West Germany 13.6 per cent.

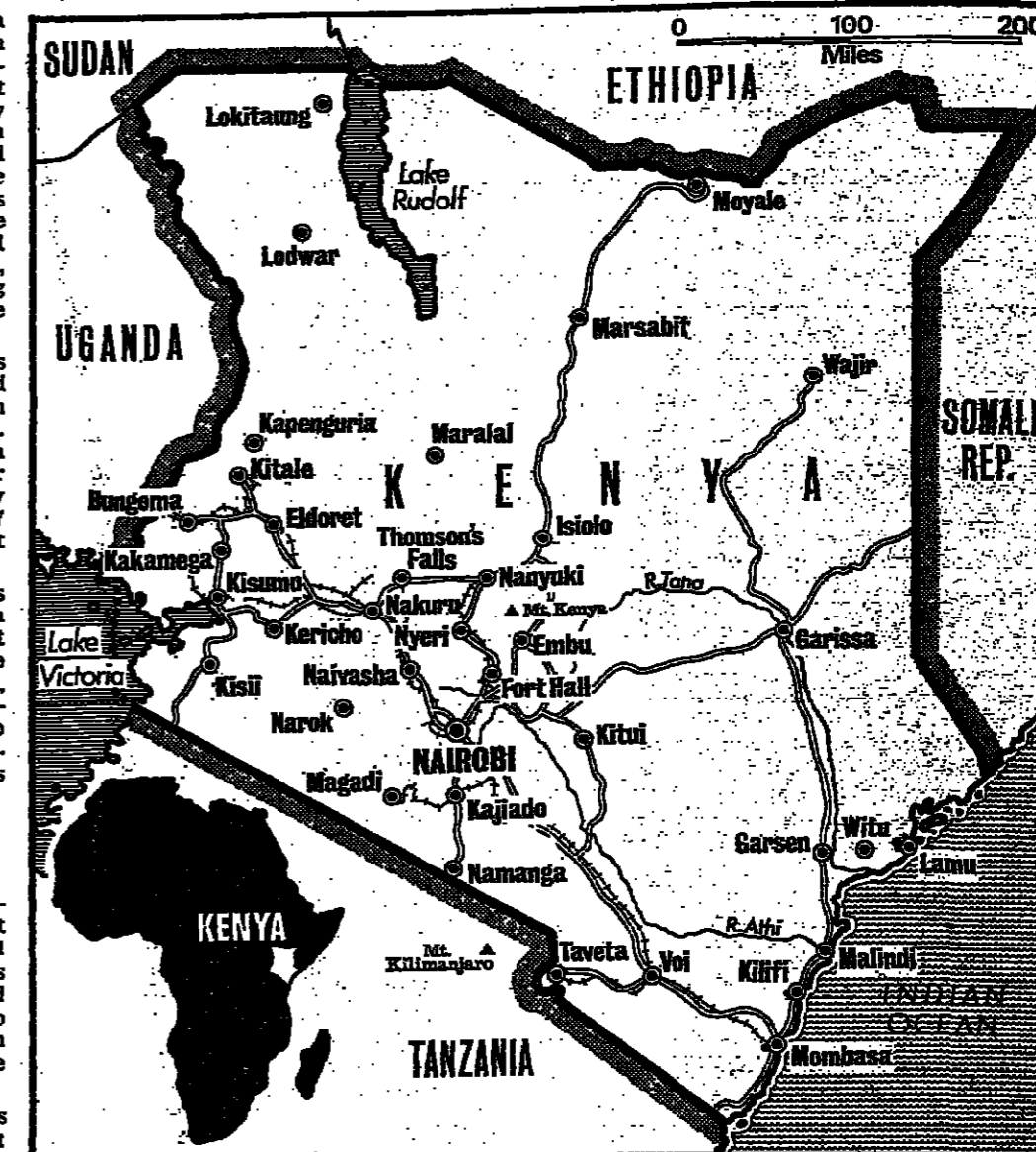
During the past two years West Germany has overtaken Britain as Kenya's largest export market, largely because of its demand for coffee, although a significant proportion of Kenyan exports to German ports may in fact be re-exported to other destinations in continental Europe.

Balance

A significant feature of Anglo-Kenyan trade in 1977 was that for the first time the bilateral trade balance swung in Kenya's favour because of high tea and coffee prices. British exports to Kenya amounted to K£35m while UK imports from the country were worth K£112m.

Tanzania used to be Kenya's fourth largest export market and the loss of this trade through the break-up of the East African Community and the closing of the common border was a tough blow.

In the short term, domestic demand, the growth of new export markets and a rise in exports to Uganda, the third partner in the Community, have helped offset the loss of the Tanzanian market and that of Zambia. (Kenyan goods bound for Zambia are by and large transmitted through Tanzania.) But a significant impact on Kenyan exports could still



materialise unless the border is re-opened, and it is not clear whether this is likely in the immediate future.

Kenya and Tanzania are still both angry, each in large measure attributing to the other the collapse of the Community with its common market and shared transport and communications corporations.

The Community, which came into existence in 1967, collapsed

last year when the three States with its African socialism, failed to approve the 1977-78 budget for the partnership's economic strength compared to General Fund services. How its partners, which increased ever, this was largely no more than confirmation of an existing state of affairs. It was in January last year that the Community effectively reached the point of no return when the jointly run East African Airways Corporation collapsed under a mountain of debt.

Kenya, which had financially carried the airline for a long time, refused further support, grounded the fleet and immediately launched its own international airline. Tanzania responded by closing the border and impounding Kenyan light planes and tourist vehicles. It is probably impossible to attribute blame for the collapse of the Community or to look back and find a definite historical point in time to date its decline.

But one contributory factor was the differing political ideologies of Kenya with its free enterprise system and Tanzania's socialism. Another was Kenya's greater economic strength compared to its partners, which increased ever, this was largely no more than confirmation of an existing state of affairs. It was in January last year that the Community effectively reached the point of no return when the jointly run East African Airways Corporation collapsed under a mountain of debt.

M.D.

Crops meet problems

PAUL NJOROGE is building a new house. A tea-growing smallholder in Kenya's Central Highlands, he lovingly shows you over the four-roomed stone bungalow which is going up alongside his present timber homestead.

Mr. Njoroge is one of the 115,000 Kenyan smallholder tea growers who, together with small-scale coffee planters, have benefited greatly from the steep rise in the world market price of these two commodities in 1976 and 1977.

A new house is Mr. Njoroge's biggest windfall gain. But he has been able to pay for a barbed wire fence around his small cattle pen and a few years ago tea money enabled him to pay for a borehole to be sunk on his land. His neat clothes (wellington boots, grey flannel trousers, shirt and cardigan) are in marked contrast to the scruffy garments his barefooted neighbour wears.

His neighbour has never farmed tea and now bitterly regrets it. He follows you round Mr. Njoroge's new house, clearly envious. The neighbour grumbles about his children, who, he complains, were not prepared to help him plant any tea. They will live to regret it, he says.

Coffee and tea are not only important for the individual farmer, they are vital for the nation, being Kenya's two major export crops. Last year coffee exports brought in K£204m in foreign exchange and tea K£71m, together making up nearly 60 per cent of foreign currency earnings. Admittedly, this was a year of unusually high prices and production. In 1973, a rather more typical year, coffee contributed 29 per cent of export earnings and tea just under 14 per cent.

Coffee production has grown steadily over the years from 41,000 tonnes in 1964 to 80,000 tonnes in 1976, with smallholders and large estates now each accounting for about half of the output. Last year the industry was very lucky—favourable weather conditions helped boost production to around the 100,000 tonne mark at a time of very high prices.

This year, however, the outlook is not so good. Not only have the coffee prices fallen on the London terminal market

from their peak of over £4,200 a tonne in March last year to about £1,500 a tonne now, but Kenya's production is expected to be down by a massive 25 per cent, to around the 75,000 tonne mark. One major reason is very heavy rains which have affected coffee bush flowerings.

Early projections suggest next year's crop may be as low—or even lower—than this year's. The industry's prospects over the next few years appear to be mixed, unless, of course, disaster again strikes the Brazilian crop. While coffee market prices are falling, the cost of inputs, such as fertilisers, is not and there is a danger that smallholders may neglect their bushes because of falling returns which would in turn affect total output.

Disease

Disease is at present not a problem. The last serious outbreak of coffee berry disease was in the late 1960s and a recently discovered bark disease seems to be well under control.

There are plans for a relatively small increase in coffee acreage and for an improved infrastructure for the industry, but both these projects could be hit by the price fall. And looming on the horizon is the possibility that international

CONTINUED ON NEXT PAGE

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Industry needs to find new markets

KENYA HAS ENJOYED a remarkable rate of industrial development since independence, making it the most industrialised of the non-oil producing independent African states. Last year, stimulated by record levels of internal demand and new capacity coming on stream, output in this sector rose some 12 per cent in real terms and the pace was sustained into 1978.

But the comment last June in the 1977 economic survey—that medium term prospects need to be reassessed—remains valid. Industry is approaching the limits of the "soft" post-independence option of import substitution. If the momentum of the past is to be maintained, new export markets must be found. "Otherwise," warned the survey, "there is a danger that the expansion of the manufacturing sector... may falter."

The volume growth of merchandise exports between 1969 and 1976 was only 2 per cent, while import dependence (defined as the ratio of merchandise imports to GDP in current prices) has not been significantly reduced. At present only about 8 per cent of manufactured products are exported.

The emphasis in the years to come, say officials, must be on export-oriented industries looking to markets outside East Africa. A comprehensive reassessment of industrial strategy is, it seems, under way, and the results should be seen in the forthcoming development plan for 1979-84. The main points are likely to include:

- A differentiated and increased export compensation scheme.
- Greater efforts to ensure a regional distribution of industries.
- Use of appropriate technology.

- Rationalisation of the tariff system.
- Greater use of domestic resources in place of imported items.
- More effective backing of small-scale enterprises.
- Encouragement of a labour intensive approach.

Efforts are already being made in some of these areas. For example, both the World Bank (through a \$10m credit from the IDA) and the EEC are assisting Kenya Industrial Estates in setting up factories for the smaller African business-man, and workshops in rural areas.

The existing export compensation rate of 10 per cent of the fob value of the goods, provided the import content does not exceed 70 per cent, has proved ineffective. There are delays in payments, sometimes as long as six months, say businessmen. What they are pressing for apart from speedy payment is both an increase in the amount and a sliding scale according to import content.

Difficulties

Rationalising the tariff system will present considerable difficulties. Under the existing conditions industry is given little incentive to increase their efficiency and often the result is unnecessarily high prices.

Yet at the same time, there are often complaints from industrialists and trade unions about the threat to factories and jobs from foreign competition. Adding to the Government's difficulties in rationalising tariffs is its own stake in industry, through three public agencies—the Industrial Commercial and Development Corporation (ICDC), the Industrial Development Bank, and the Development Finance Company of

Kenya (DFCK). The first two are directly controlled by Government.

Understandably these public sector agencies will be reluctant to see any change in policies which protect them. Private business has realised this, hence the tactic of welcoming Government participation as a form of insurance against a lowering of protection of their particular business.

Despite these and other problems, it should be said that the new development plan will take off from a sound industrial base. Although food processing continues to be of major importance, there is an impressive and widening range of industries—textiles, chemicals, paper, cement, soap, glass, footwear, tyres and vehicle assembly plants.

Some 10,000 commercial vehicles will this year roll off the assembly lines at Kenya's three plants—Leyland at Thika, General Motors in Nairobi and Associated Motors Assemblers (a local consortium consisting of Incheape Mackenzie, Lonrho and the Kenya Government) at Mombasa.

Apart from employing about 1,500 people, the plants have given rise to a growing number of service industries. These now include batteries, tyres, paint, wiring harnesses, trim, mats, glass, canvas hoods—and radiators and exhaust systems will soon join the list of local products.

Unfortunately the textile industry, an investment of over KSh40m and employing nearly 20,000 people, has been undergoing severe difficulties which led to the collapse of the Nanyuki Textile Mill last December. The authorities placed most of the blame on "dumping" of textiles from the Far East, and banned import of all second-hand clothing and all textiles similar to those produced in Kenya.

But to make up for Nanyuki there is a string of recent projects which are doing well, and others are about to come on

stream. The KESon Kenya Furfural Company at Eldoret will manufacture furfural, acetic and formic acid from maize cobs.

In Kisumu, Western Kenya, there is a KSh2.6m 51 per cent Government owned plant which will produce alcohol, brewers yeast, vinegar and citric acid. Cadbury Schweppes is building a KSh4m soft drinks factory at Eldoret, while a fertiliser plant is due for completion at Mombasa where East Africa Breweries is building a new brewery.

The examples illustrate the range of the country's recent industrial development. Kenyans are playing a major role in new developments but there has been a marked change in this role over the years.

Their pre-independence base was the agricultural smallholding, but after independence the effect of measures such as trade licensing, Government-controlled financial institutions, and Government directives on allocation of credit, led to increased Kenyan activity in other sectors. In particular these were real estate, passenger road transport, and a growing share of the hotel and restaurant business.

The main areas which Kenyans have yet to dominate are construction, financial services and manufacturing—due to limitations of capital and expertise. But both obstacles, in particular the former, are being overcome.

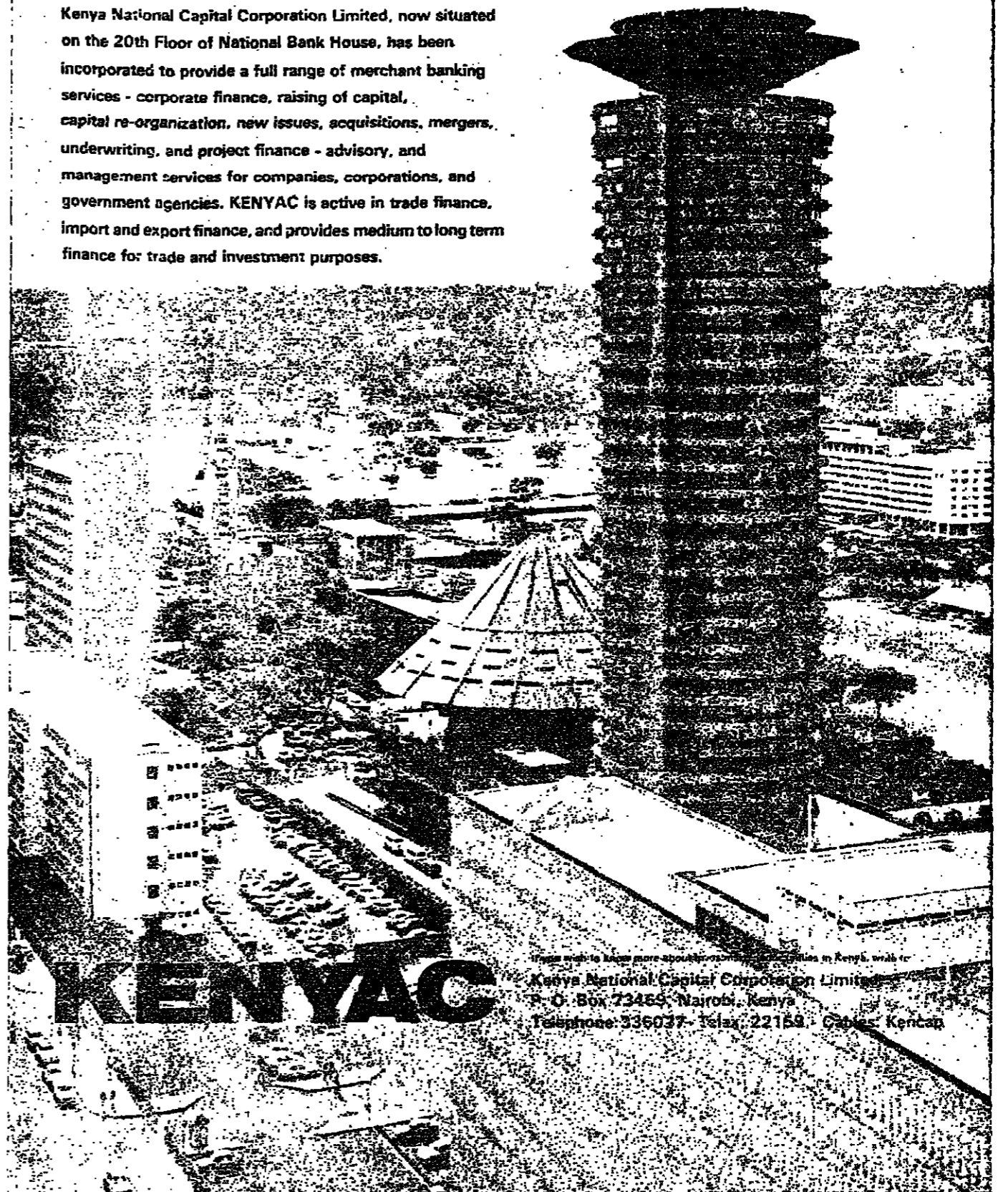
Financial syndicates, State economic institutions and merchant and industrial banks—such as the Industrial Development Bank (IDB)—are providing the means for increasing Kenyan access.

Currently business is booming for Kenyan businessmen and their foreign partners. But as the impact of high coffee and tea prices recedes and domestic demand for their products inevitably falls, they will have to make greater efforts to find export markets—the major challenge in years to come," as Industry Minister Elud Mwamunga puts it.

M.H.

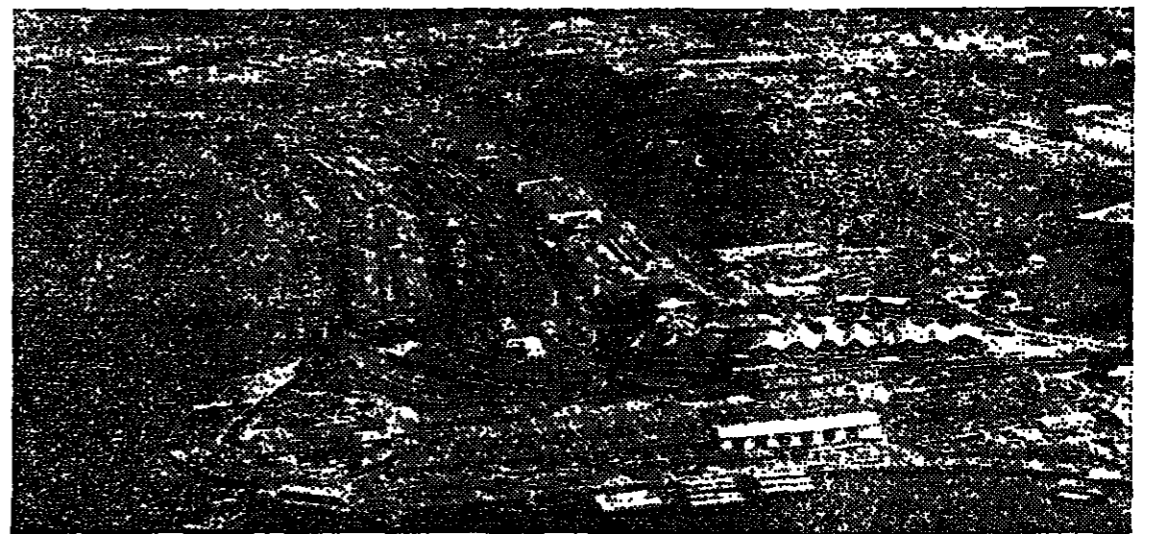
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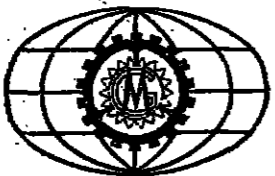
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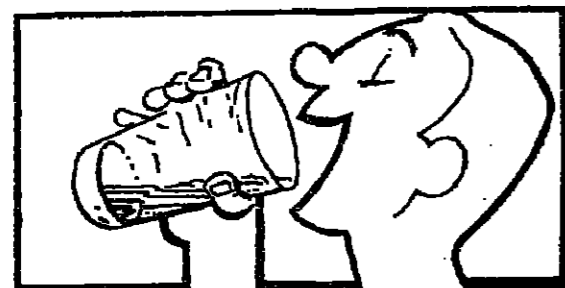
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KENYA VI

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Technical Director (Development)
East African Breweries Limited
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Telex: 22628

ASK KENYA'S Minister of Commerce and Industry, Eliud Mwangi, about investment opportunities in the country and he is likely to begin his answer by handing across two booklets.

One is a glossy 60-page guide, "Your Business Partner in Africa," which among other things sets out incentives, procedures, taxation rates and plant location policy. The other is a regularly updated cyclo-styled survey of potential projects. The latest one gives information ranging from the number of laundry cystems imported annually to a brief summary of a proposed K20-£25m mini-integrated steel plant at Mombasa with a capacity of 250-300,000 tons a year.

This efficient and imaginative approach is one reason for Kenya's ability to have attracted British and U.S. investment of £90m and \$180-200m respectively.

Not foreign investment—mainly from Britain and the U.S. but also from India and Western Europe—is nil, say Ministry of Finance officials, because incoming capital tends to be matched by the outflow of profits and dividends. But reinvestment of profits amounts to some K£40m a year.

Ask foreign businessmen here about the appeal of Kenya and almost invariably they begin by pointing to the post-independence record of political stability, and an ability to combine an official commitment to "African Socialism" (there are over 50 parastatal bodies and about 40 firms in which the public sector has a majority control) with capitalism.

And in addition to a network of commercial banking services there are several government financing organisations which go out of their way to encourage foreign investment. Combine this with an ample supply of labour, a well-developed infrastructure and an enterprising class of Kenyan businessmen and one can see why the country has attracted some of the leading names in British industry.

British Leyland, Cadbury Schweppes, Shell, BP, ICI, Unilever, Lonrho, Metal Box, Portland Cement, Brooke-Bond, Bonker McConnell and others have taken advantage of Kenya's investment policy.

At the heart of this policy is the Foreign Investment Protection Act 1964 which among other things guarantees full and prompt compensation should property be compulsorily taken over.

Once a potential investor has satisfied the Ministry of Finance that the project meets basic criteria: raises the national income, brings new technology, creates jobs, increases exports or reduces imports, and diversifies the economy—the Minister may issue a Certificate of Approved Enterprise.

This will permit the remittance of after-tax profits, an approved proportion of the net proceeds of sale, and the principal and interest of any loan specified in the certificate.

There are other incentives. Newly established companies can delay the year in which tax and profits will start, and deductions for capital expenditure can be made at the following percentage of initial value: hotels 6 per cent per annum, industrial buildings 2.5 per cent per annum, factory machines 12.5 per cent per annum, trucks and tractors 37.5 per cent per annum.

Allowance

In an effort to encourage industrial development in smaller centres there is an initial allowance of 20 per cent of the cost of industrial buildings, plant and machinery for industries sited outside the two main cities, Nairobi and Mombasa.

Local authorities will provide land, especially in rural areas, for industrial projects at low rates, and Kenya Railways Corporation also provides land if the site is served by rail.

Tax rates are 45 per cent of taxable profit for companies resident in Kenya, 52.5 per cent for non-resident companies. Dividends are subject to 15 per cent tax, loan interest 12.5 per cent, management fees 20 per cent and capital gains tax 35 per cent.

Kenya Industrial Estates, a subsidiary of the Government-owned Industrial and Commercial Development Corporation (ICDC) finances industrial estates in Nairobi, Mombasa, Kisumu, Eldoret and Nakuru.

and also carries out feasibility studies of plant sites.

However, earlier this year the Minister of Industry indicated that the KIE programme was aimed mainly at the small African businessman. He spoke of his concern about "The tendency of non-citizens to duplicate projects already covered in the Kenya Industrial Estates programme," noting that he had "on several occasions called on our larger industrialists to leave the small-scale sector to African industrialists—but it seems this has fallen on deaf ears."

The minister warned that "Government will critically scrutinise all applications for raw materials and machinery imports which may seek to duplicate KIE projects."

As well as ICDC there are two main Government-sponsored development banks—the Industrial Development Bank (IDB) and the Development Finance Company of Kenya (DFCK).

IDB, apart from drawing on local sources of finance, has links with the German Development Bank, the World Bank and the EEC financing institutions for term loans and machinery credits, mainly to finance foreign currency component in industrial projects.

DFCK is jointly owned by the Kenya Government (through ICDC), the Commonwealth Development Corporation, Netherlands Overseas Finance Company and the German Development Corporation. It was formed in 1963 and has since invested over K£11m in 71 projects.

Conditions affecting local

companies in Kenya were liberalised in May 1977. Until then foreign controlled companies' local borrowing had been restricted to between 20 to 80 per cent of investment. But as money supply sharply increased during the coffee boom, foreign controlled companies were permitted to increase local borrowing to a maximum of 100 per cent of their equity for a period of two years.

The provision is that the facility is used for new investment of expansion in the agricultural, manufacturing and tourist sectors.

Policy

Overall Government policy is to move from import-substitution industries to those making greater use of domestic resources. Hence Kenya is looking for investment in areas such as meat processing, dairy products, canning and food processing, sugar, cotton and mixed fibre textiles, wood processing and furniture, chemicals, insecticides, cement, machinery manufactures, and others.

Conditions and incentives for investment in the tourist industry are similar to other sectors, except that hotels in nature reserves and game parks must be at least 51 per cent locally owned. The Kenya Tourist Development Corporation deals with investment in the industry.

Protection to local industries is provided by tariffs of up to 30 per cent of the value of

manufactured goods, with higher rates on cars and luxury items. New industries may also be granted administrative protection by import licensing.

The Kenya External Trade Authority (KETA) established in 1976 is a government sponsored body leading Kenya's export drive, publicising Kenya's products abroad and carrying out surveys of foreign markets.

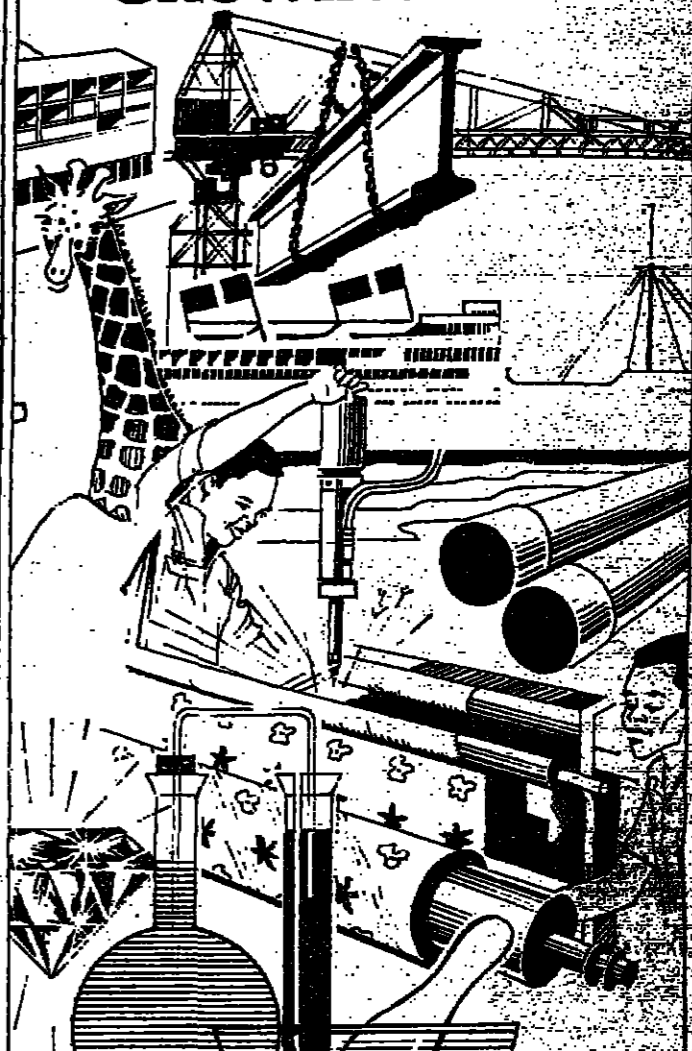
One of Kenya's attractions in the past has been its position in the East African Community, the association which Tanzania and Uganda which ended last year. The closure of the Tanzanian border lost Kenya what was its fourth biggest market in 1976, and also ended access to Zambia.

Sudan will help fill the gap, but the Government is also

looking for markets in the Middle East, Europe and North America—hence last month's Kenya exhibition in New York. As a signatory to the Lomé Convention, Kenya enjoys tariff and trade concessions in the EEC markets, and under the Generalised System of Preferences Kenyan exports may receive preferential duty treatment for certain manufactured goods and agricultural products in the U.S. and Canada, Australasia, Eastern Europe, Japan and Scandinavia. There is no law governing local participation in companies but as the investment guide tactfully puts it, "Investors would find it to their advantage to do so."

M.H.

KENYA IS GROWING FAST



The corporate objective of the Bank is to promote and stimulate industrial development in accordance with the Government long term industrial strategy. In order to effectively play this role in the development of Kenya, IDB seeks collaboration through joint ventures with overseas industrialists, who are willing to provide capital, technical know-how and general management to the investment project, in such fields as mining, tourism, manufacturing and agro processing. If you are looking for an investment opportunity think of Kenya and IDB will assist you shape and implement your investment proposal.

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'Informal' sector

TWO KIKUYU ladies, mother and daughter, arrive on our doorstep twice a week, and by arrangement, dump their load of fresh fruit and vegetables from a car in our yard. From this base they set off to hawk their wares round the houses in the area.

The fruit and vegetables come either from their little shamba, or plot, or are bought in the market. It is a tough job, and they set off on their rounds with heavy sacks on their backs, coming back at intervals for refills.

They are just two more of the tens of thousands of hawkers operating one man businesses round Nairobi, in both the prosperous and the poor areas. In never-to-be-forgotten jargon, created by the ILO in a report on work and labour in Kenya, they belong to the "informal sector." The ladies might be surprised to know that that is how they are referred to in a series of reports.

The ILO regard this class of the smallest businessmen and women as of very great importance to the economy, specially in the rural areas. How are they getting on?

In spite of the Sessional Paper on employment in 1973, when the Kenya Government recognised the essential role of the informal sector in national development, little appears to have been done to help this class of working poor with the kind of economic encouragement given to bigger businesses.

Disrupted

They are still harassed by city councils. Sometimes shanties erected by them as workshops, boutiques (if that word can be used in this sense), little eating places and kiosks get swept away in sudden police blitzes on the slums which continually fester round Nairobi and Mombasa. Their little businesses are disrupted, but one characteristic they have in common is tenacity — and survival. They always spring up again for the simple reason that they have to live and this is the only way they know.

Not by any means, as the ILO recognised, must they be regarded as "unemployed." In fact they are most gainfully employed.

Every visitor to Nairobi has noticed the kerbside rubber stamp makers, the shoe shine boys who proliferate at every street corner, the kerbside seller of secondhand Playboys and Penthouses, the man who tries to sell you elephant hair bracelets, the al fresco hairdresser with his salon under a tree, catering for both men and women, the bicycle repairer, the "garage" in a waste lot which specialises (he has to) in beat-up cars, charcoal sellers. All these little businessmen belong to the "informal sector."

They may not earn enough to pay taxes—say K£25 to K£30 a month among the poorer—but their money is good and goes round and round.

It may be that real recognition is coming for the informal

sector, for the theme of the coming 1979-83 Development Plan, which sets out Kenya's development strategies, is to be the alleviation of poverty and more attention is to be paid to the informal sector to promote its growth.

Moreover, the new Education Report, referred to elsewhere, urges the Government to accelerate the enforcement of the necessary legislative and administrative measures to abolish harassment of the informal sector and instead facilitate its growth.

It has been recognised for a long time that the informal sector is highly productive and tends to contribute to social stability. It is based on self-employment, and the little businesses are often handed down from father to son or daughter. Many roadside workshops employ one or more workers.

Their goods and services are generally not aimed at the more prosperous sections of Kenya society, but to the people with small incomes, for, in theory at any rate, their services are cheaper.

There seems no question that if the Government is to integrate the informal sector into the process of development it should grapple with the problem very seriously, providing proper conditions such as water and sanitation in which to operate on a permanent basis. A recent cholera scare in Nairobi and Mombasa brought a justifiable ban on all food kiosks operating in insanitary shanties. Many were put out of business, but it was inevitable that they should pop up elsewhere in the town.

The informal sector is an integral part of Kenyan society, as it is in many other countries, and it cannot be spirited away at the wave of an economist's wand.

No amount of pressure from the formal sector can uproot such determined and pertinacious men and women, and the economic planners must inevitably get round to recognising them as an economic force to be reckoned with. The ILO team, which did so much work on the informal sector, could not estimate what its earnings were, but found there were at least 120,000 freelance traders in Nairobi and Mombasa, and perhaps 140,000 in the rural towns and villages. Most are perhaps only marginally productive, but it is better to have people earning and spending than standing round idly in unemployment queues.

The Government is now obviously recognising that this sector of the economy continues to grow under its own motivation, with little or no support, largely due to the predominant influence of the modern sector. In view of the mounting evidence of this sector's usefulness, especially in the rural areas, it will increasingly come to be recognised that it plays an essential role in national development, and action is likely to be taken to give these people credit facilities and management and technical services.

John Worrall



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KENYA VII

Switch in education

A switch of emphasis from the prevailing attitude that formal education automatically leads to high wage employment in the modern, urban sector. An important aspect of Kenya's educational aims at that time was, and still is, to promote national unity in a diverse communal and tribal background.

In 1963 the enrolment in primary schools was 891,553. This has jumped spectacularly to about 3m today, about 90 per cent of all eligible children. In 1963 there were 30,120 enrolments in 150 secondary schools. Against today's 280,388 in 1,280 schools. Teachers have jumped from 17,000 to just over 100,000. Schools, these schools are built and managed by local communities on a self-help basis, with the aid of locally raised funds.

They have played a big part in providing secondary education for children who are not able to gain admittance to Government or Government-aided schools for one reason or another, mainly the limitation in places. Many Harambee schools have been taken over by the Government, and the tendency now is to take on more and more. There are 700 schools

run on a Harambee basis with nearly 30,000 students. Many of these are helped by the Ministry of Education by developing new streams and recruiting or paying teachers.

Another remarkable Harambee experiment fast gaining ground in the rural areas is the Village Polytechnic, which has grown from the need to provide work opportunities in simple crafts and skills among country boys and girls who have stopped at primary level, or who have dropped out. Village polys teach crafts such as basketmaking, carpentry, needlework, agricultural skills, motor mechanics, bicycle repairs, building and home crafts to young people who seek to set up self-employed trades in the informal sector. Local communities raise money, build and set up the schools, using local materials and local skills. These are now well over 200 village polys scattered all over Kenya.

A further development has been the growth of "second chance" institutions with the rather high sounding titles of Institutes of Science and Technology, built by local communities to serve their special needs (at the slightly more advanced level than the village polys in crafts and technology). About eight are now in operation.

The growth and encouragement of village polys and the institutes of science and technology, with their emphasis on rural crafts, science and artisan skills, are a significant pointer to the new trends in Kenyan education. Some 90 per cent of the population lives in the rural areas, and one of the biggest problems is to stop the migration from the rural to the urban areas. Jobs, and education for those jobs, must be geared more to the deprived rural areas.

New programmes and curricula are being worked out now by the Ministry of Education for all levels, the emphasis being changed to the sciences, and especially the sciences relating to agriculture and technology.

The little "Village Polys" are to come more into their own. In future they are to be known as "Craft Training Centres" and are to have stronger government support and encouragement.

John Worrall

Banks as an aid to development

Strongly emphasised is the crucial need to train better and more-qualified teachers, with varying aptitudes, especially for the primary schools. At present most teachers brought up in the formal academic system are only fitted to teach inside the system.

With the increasing need to improve growth in the rural areas and the neglected informal sector of the economy, there is now emphasis on creating self-employment opportunities and better job rewards to attract school leavers. It is emphasised that the public will have to be educated away from

AN EFFICIENT banking system has made a major contribution to the success of Kenya's post-independence economic development.

To-day there are 15 commercial banks with over 270 branches, sub-branches and

agencies, as well as mobile banking units. Accounting for over 70 per cent of total bank deposits are the "big four": Kenya Commercial Bank, Barclays Bank International, the Standard Bank, and the National Bank of Kenya.

The other banks are the National Bank of Kenya, Grindlays Bank International, Bank of Baroda, Bank of India, First National Bank of Chicago, the General Bank of Netherlands, Habib Bank, Commercial Bank of Africa, City Bank, the Co-operative Bank and the Bank of Credit and Commerce International (Overseas) Ltd. Three banks—Continental Illinois Bank, Bank of Tokyo and Bank of Yugoslavia—have representative offices in Kenya.

It has been a busy time for commercial banks. The volume of deposits rose from KSh58m at the end of 1976 to KSh25m at the end of 1977, and their liquidity at 37 per cent became overwhelming.

Money kept voluntarily by the banks at the Central Bank—"doing nothing at all," as the Governor, Mr. Duncan Ndegwa, put it—rose from KSh21m at the end of 1976 to KSh58m by December 1977. "Treasury bills which at one time were 0.01 per cent became the only attractive alternative for investment of surplus funds," noted Mr. Ndegwa.

Even at these peak levels no bank announced lower interest rates although generally banks were prepared to make loans at anything from 7 per cent upwards.

At the moment Kenya does not have any organised discount market, but the Kenya National Capital Corporation, owned 60 per cent by the National Bank of Kenya and 40 per cent by Kenya National Assurance Company, and established recently, will be able to provide discount services in bills of exchange, bankers acceptances and government paper. It aims to provide merchant and investment banking services and offer investment facilities for companies' surplus funds, in deposits, bonds, shares and property.

There is also a wide range of non-bank financial institutions consisting of a post office savings bank, housing finance companies, hire purchase companies, two industrial development banks and two locally incorporated non-bank financial institutions, the Kenya Finance Corporation and the Continental Credit Finance Company.

The Central Bank of Kenya was inaugurated in September 1966 under a statute which set out four principal objectives. These are: to regulate the issue of notes and coin, to ensure a sound monetary, credit and banking system and to serve as both banker and adviser to the government. The Central Bank of Kenya Act stipulates that limits to the total credit that government can take directly or indirectly from the Central Bank.

The conservative fiscal policies of the Central Bank have been an important factor in international confidence. The broad policies have remained the same since independence: to maintain sound money and control the rate of inflation, to check the deterioration in the balance of payments, and to protect the key productive sectors of the economy—namely agriculture, manufacturing exports and small African business.

The rate of inflation—around 14 per cent and possibly rising—has become particularly worrying, and last month the governor spoke of his determination to

bring the rate "well down" into single figures.

One cause was the enormous 47 per cent increase in money supply last year as earnings from record coffee and tea crops poured in. Last month, the governor outlined measures to reduce the impact. Overall credit expansion by commercial banks is to be in the region of 22 per cent during the fiscal year 1978-79. After taking into account the expected credit to government, this would limit credit expansion to the private sector to about 18 per cent from July 1978 to June 1979—a sharp fall compared to the 33 per cent expansion in bank credit to the private sector in 1977.

He also stressed the role of the commercial banks in the country's policy of shifting development from urban to rural areas.

"The authorities expect commercial banks to help in channelling some of their surplus savings into the development of rural areas instead of transmitting them to urban centres where they are used mainly for financing trade. Commercial banks which are purely urban centred in this end of 1976 to KSh58m by December 1977. "Treasury bills which at one time were 0.01 per cent became the only attractive alternative for investment of surplus funds," noted Mr. Ndegwa.

The most important aspect of this development policy is the provision of credit to African farmers and small businessmen. As in other countries, it is done by encouraging the banks to lend a percentage of their deposit liabilities.

There has been limited success. Despite what the Central Bank described as "excessive liquidity" throughout 1976-77, by June 1977 the Commercial Bank's agricultural credit was only 11 per cent of their net deposit liabilities. Only four of the 14 banks then operating had reached the 17 per cent target. There are signs, however, that the position may be improving. In the quarter ending December 1977, credit to the agricultural sector had risen nearly 22 per cent, pushing up agricultural credit to five points below the 17 per cent target.

The main problems are the comparatively high rate of risk for the banks in lending to smallholders, but equally important is putting banking services within their reach—hence the Governor's warning against "purely urban centred banks."

Nairobi maintains a small but vigorous stock market in which some 70 counters are traded. Not surprisingly, the past year has seen a high level of activity. Transactions on the exchange amounted to 9.3m in 1976-77, compared to 5.9m in 1975-76, while the value of transactions rose KSh2.6m to KSh20.5m. The index of prices shot up from 197 in June 1978 to 288 a year later, and now stands at around 430.

Very few companies have gone public in the past few years, but the case of the Industrial and Commercial Development Corporation illustrated the potential demand for shares. Towards the end of last year, the company sought to increase its share capital from KSh 6m to KSh 15m by selling 1.2m shares to the public at the current value of 13 Sh per share.

The result was over Sh34m in 11,000 applications, 99 per cent of which applied for less than 2,000 shares each, representing 77 per cent of the amount.

M.H.



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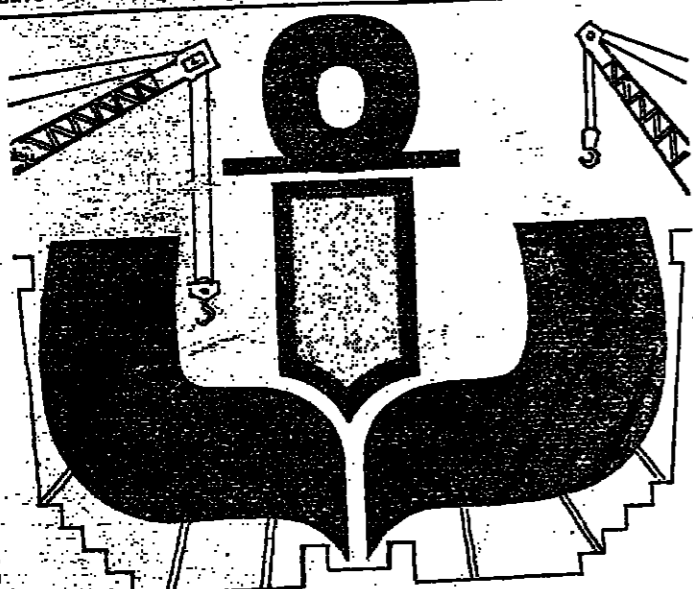
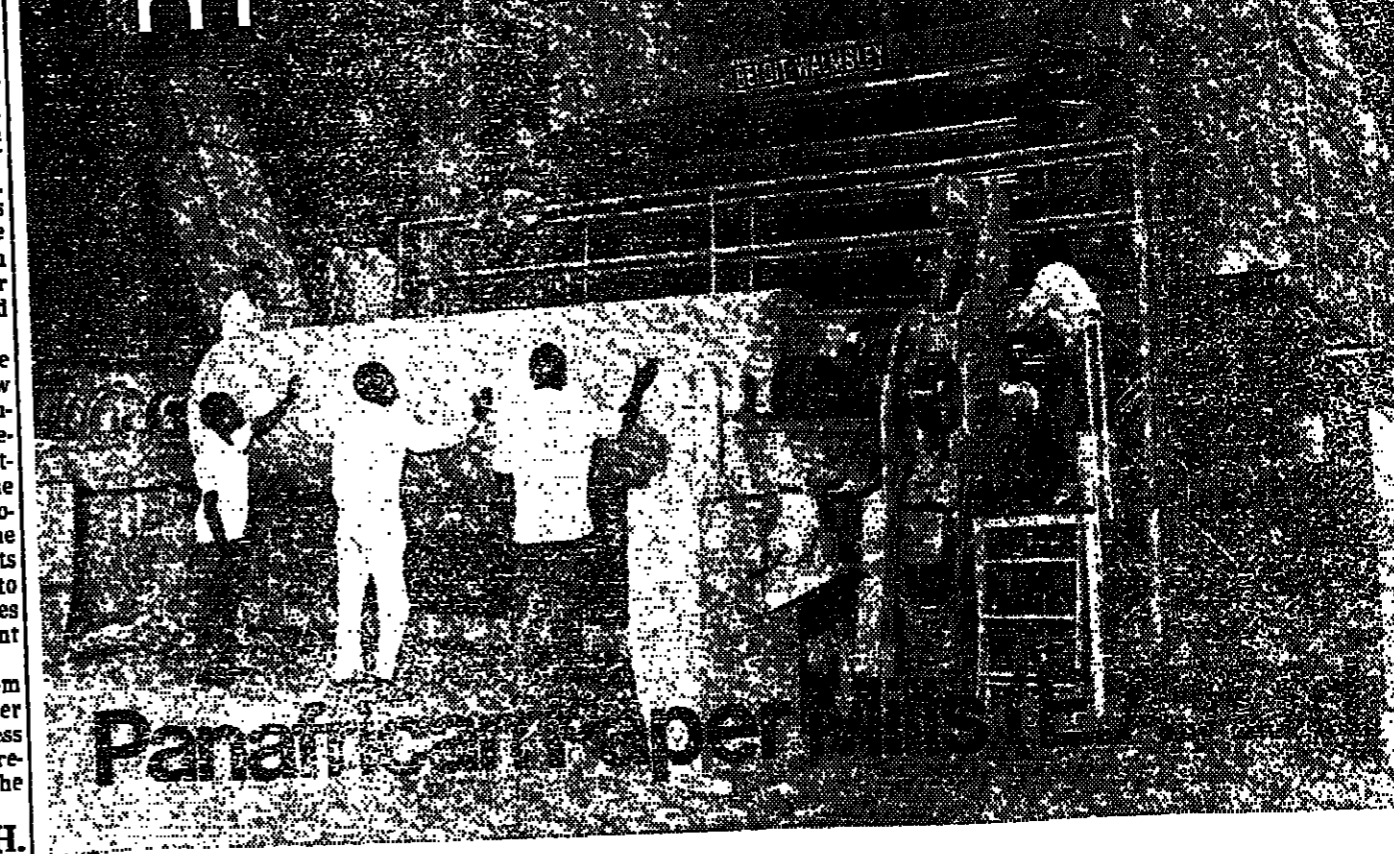
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Finance Corporation, a World Bank agency, who inspired this joint venture—Kenya now supplies most of its own paper needs. Needs that increase every year in pace with Kenya's booming development.

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In line with its policy of progressing towards economic independence, Kenya continues to encourage plans to develop its natural resources and is now working closely with Orient in a major expansion of the pulp and paper operation.



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KENYA VIII

Hard fight for tourism

KENYA'S CLASSIC tourist attractions are still among the finest and most varied in the world. Growing numbers of people come from Northern Europe to stay at luxurious hotels on the sunny Indian Ocean coast. Others come to safari among the game parks where, despite the depredations of poachers, large herds of elephant, zebra wildebeeste and antelope roam, and lucky tourists can photograph lion with their kill. The hunting safari is definitely "out," by law, at some cost to professional hunters and government, and photographic safaris are the order of the day.

Because Kenya knows it has an unrivalled product to offer tourists, and tourists keep coming, there is a tendency towards complacency in government and the tourist trade. The industry is beginning to realise it cannot afford this attitude and, although optimism abounds in some quarters, the going is likely to be tough in coming years.

Kenya is now having to compete hard with other long-haul destinations. Many of them are very attractive, though distances (and therefore air fares) are bigger. They include Hong Kong, Singapore, Bangkok, the Seychelles, Mauritius, the West Indies, and soon, it is forecast, South America.

A keen new competitor is developing in Kenya's neighbour and erstwhile partner, Tanzania. Kenya-orientated tourists can no longer go into Tanzania. (The Tanzanians said with some logic that Kenya was taking the cream), and Tan-

zania is now trying to sell its own wild life attractions, and its own beautiful beaches, very hard in the world market.

Spectacular

Kenya has recently opened a spectacular new airport at Nairobi at a cost of KES30m to cope with increasing numbers of tourists, businessmen, diplomats and official visitors.

The old airport at Embakasi handled 1.5m passengers a year at its demise, compared with 250,000 in 1960. The new airport is designed to handle 1,200 departing and 1,200 arriving passengers every hour. The semi-circular passenger and cargo terminal is unique in Africa and is like only two others in the world.

The head of Kenya's biggest hotel owning and managing chain, African Tours and Hotels, Mr. Henry Daly, says: "We are just right on prices and can compete favourably, but we are having to work harder to maintain present levels."

The Kenya Government's Ministry of Tourism and Wildlife says tourism is still riding high and will continue to do so. The industry is of course having to contend with rising costs in almost all directions, from higher air fares to higher electricity and water costs, not to mention tourist orientated imports like wines and spirits.

This has had its effect on hotel rates, conservatively estimated by KITDC at between 10 and 15 per cent higher in a year.

Others in the tour business, however, are not so happy about rising prices. The Kenya Association of Tour Operators recently expressed concern about "escalating prices," and warned that this trend could adversely affect the industry. Mr. Gideon Kago, the chairman, said it was becoming increasingly difficult to sell safaris to country because tourists regarded the hotel rates as "prohibitively expensive."

On the whole it seems to be easier to sell coastal holidays than safaris up country, which take in the big national parks and game reserves.

Despite these worries, which are not new, Kenya has built up a very prosperous tourist industry, which has brought a great deal of foreign exchange into the country, second only to agriculture. This year, according to Government estimates, it is likely to reach a record KES50m.

Tourism is a sensitive plant and depends a lot on internal economic and political stability. Tourists will not go to troubled places. In the Third World, political stability can be disturbed at the stroke of a pen or the movement of a tank. President Amin's coup in neighbouring Uganda, and its repercussions, destroyed a prosperous tourist industry.

One indication of the sensitivity of this plant is the falling off, recently, of the American tourist traffic, esti-

mated at about 25 per cent. "To the Americans, Africa is a dangerous place these days," one tour operator told me. "The trouble is they are weak on geography and African affairs. They think Idi Amin terrorises the whole continent, is down the road, and we are right in the middle of the Horn of Africa."

Big Kenya tourist promotions are going on in the U.S.—for instance, the recent Kenya Fair in New York—and it is hoped to bring the Americans back.

The loss of American tourists is compensated for by the spectacular increase in tourists from West Germany, who are now top of the league, followed by British visitors, many others come from Switzerland, Italy, France and Scandinavia. New markets are being tapped in Japan and among expatriates in the Middle East with nowhere to go.

The Germans, the Swiss and the Italians are mostly attracted to the Kenya coast and its fine hotels. Since the recent expansion of Mombasa Airport, the Germans have flown in on weekly flights carrying 500 at a time on cheap package tours.

The past year has not been easy for Kenya tourism. The break up of the East African Community had big repercussions. With the collapse of East African Airways, the Community carrier, Kenya had to create in a very short time its own national carrier, Kenya Airways.

The break up, we have seen, also led to the closing by Tanzania of the common border, and a complete break with Kenya in tourism. Tour agents, many based in Kenya, used to combine Kenya game and coastal tours with tours of Tanzania's spectacular Serengeti Plains, the Gorongoro Crater and Mount Kilimanjaro. All that has now ended.

Only a few weeks ago the Tanzania Tourist Corporation said the border would remain "permanently closed," as far as tourism was concerned. For some months Kenya tourism was badly hit by

Tanzania's action. For the situation may now well be working to Kenya's advantage. The Kenyans have been induced to open up new areas of the country to tourism, especially in western Kenya, which has been largely neglected in the past. A new hotel, the Sunset, has opened on Lake Victoria, near Kisumu, which is already proving too small for demand. There are plans to open up the magnificent Lake, the largest in Africa. There is a growing demand for more hotels in the Mount Kenya area and tourism is pushing further north into the desert "rain lands" beyond Marsabit.

One comparatively new trend is the establishment of camps for tourists who like the open air life and want to feel the immediate presence of the bush and its animals and birds. Log fires, a bar, a restaurant and either tents or wooden cabins can come for about K25 a night per twin tent with full board.

Operators are opening up attractive new circuits, even isolated Lamu, the "pearl" on the coast near the Somali border with its historic Arab Swahili traditions and architecture is losing its inaccessibility with regular light aircraft communications.

One tour operator is opening up tours of the remote islands of the Lamu Archipelago where Arab ruins abound, using small powered Arab dhows equipped with bars.

Kenya scores tremendously by having built up over the years a thorough-going tourist infrastructure. Tour operators abound, many now run by Africans, with fleets of minibuses, aircraft laid on at the drop of a hat (most country lodges and hotels have landing strips) and trained guides with a knowledge of the country. Roads have been improved enormously and there are few main centres not reached by a good tarred road, but a lot remains to be done where access to smaller lodges and camps is concerned.

J.W.

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The end of the hunting safari

FOR YEARS world conservationists have been sniping at Kenya. Where is all the wild life going? Is Kenya neglecting this priceless heritage? It may be that time will show that Kenya, in the words of the celebrated British elephant expert, Dr. Iain Douglas-Hamilton, is now becoming a "model for Africa" in conserving its wild life. It is not too soon!

Last year the Kenya Government banned both organised big game hunting and the sale of trinkets and trophies.

The wildlife conservation issue is crucially important to the tourist industry, to conservationists abroad and in Kenya itself, and to the Kenya Government, whose name has been besmirched abroad for alleged neglect of this priceless heritage.

Take the elephant. And it should be said at once that Kenya is not the only country in Africa to contain large herds of these majestic creatures. They inhabit 33 countries from the west to the east coasts. Dr. Douglas-Hamilton, who lives in Kenya, says almost all elephant herds are diminishing fast.

He estimates that after decades of slaughter the present African elephant population is about 1.5m. Man and his lust for ivory ornaments is the culprit. "The quickest way to get rich quick in Africa is to kill an elephant," a Uganda park warden told Dr. Douglas-Hamilton.

The heaviest concentration of elephants is in Tanzania, which has about 300,000, but this number is falling through poaching.

The next heaviest concentration is in Kenya, which Dr. Douglas-Hamilton estimates to have had 150,000 in 1970, but now has about half that number, largely as a result of poaching. Armed gangs of poachers roam the elephant country, some coming in from Somalia. They are masterminded by ruthless men in the cities who have the means and the network to smuggle the ivory out of the country to the Far East. Almost every week poachers get caught by rangers in the bush or moving their spoils along the roads. The big men are never caught.

Rhino horn, sold in the Far East as an aphrodisiac, leads to the slaughter of hundreds of the scarce and shy rhinos. Leopard skins are an even rarer find, and sell for fantastic sums abroad. Zebra are hunted for their beautiful skins.

Poachers

War is waged daily on the poachers by the armed anti-poaching squads run by the Kenya Game Department. The Police have a special anti-poaching unit based up country. The Ministry is now stepping up the war with sophisticated weapons, radio apparatus, vehicles and planes, including helicopters.

The World Bank has recently given Kenya KES10m for improving wild life resources. KES1m of this is going to anti-poaching campaigns.

The whole organisation of wildlife has been taken over by the Ministry of Tourism and Wildlife, which entails the end of the National Parks in their autonomous form. Some game wardens complain of bureaucracy. Some in the wild life business allege that poaching is organised by unnamed men in the Game Department. Taking its new responsibilities seriously the Ministry created a new department, Wildlife Conservation and Management Services.

Early last May the Kenya Government took the dramatic step of banning regulated game hunting altogether, although in the past certain species like the elephant, the leopard, the cheetah and the rhino had been protected from hunting. There were 2,482 licensed resident hunters in the country, and some 120 professional hunters operating hunting safaris for wealthy overseas clients.

Gun licences were withdrawn and weapons had to be handed in. For Kenya it was the end of the era of the hunting safari. This step was both praised and criticised: criticised by the pro-hunting groups on the grounds that armed professional hunters and their clients were more effective in warning off poachers than the anti-poaching units, which are still thin on the ground, and that ranchers and private landowners who rented hunting concessions would no longer have the incentive to allow wild life to remain on their property. Somewhat paradoxically, professional hunters are among the most dedicated conservationists.

The Government believes that the ban on hunting will underline its concern about the decline of wild animals. It was felt that the hunting ban would help the Game Department to control poaching, since all those found with firearms would be automatically under suspicion.

Banning hunting without banning the proceeds of hunting was thought to be illogical, so the Government's next step was to put a ban on trophy sales in the curio shops of Nairobi and Mombasa. This was done last December, and began Kenya's biggest ivory rush as the shops disposed of their vast stocks of carvings, trinkets and bracelets. They went for knockdown prices, as did skins, horns and lion's teeth.

All stocks unsold were confiscated by the Government. The question is now: what is happening to the unsold ivory? The Government may be intending to hold the ivory auction sale to end all sales.

The elephant experts know that the final answer to poaching is to smash the international trade in ivory which centres on Hong Kong.

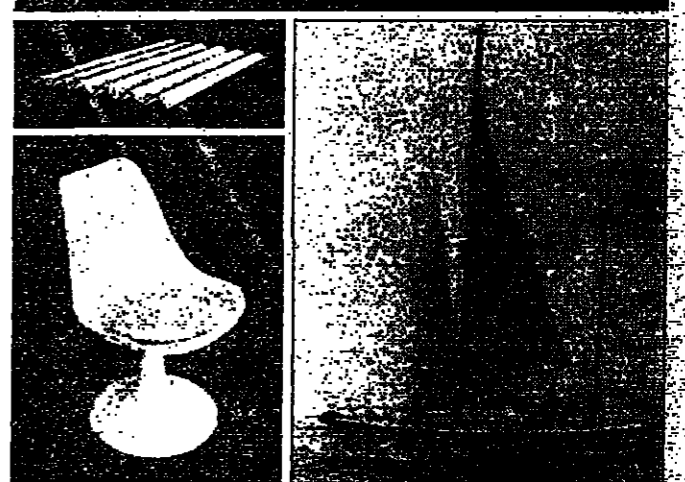
But the elephant in Africa is not only threatened by poaching. He is also threatened by the expanding population. "Where land is used for agriculture it is certain that elephants in the area are doomed, for elephants and agriculture are incompatible," says Dr. Douglas-Hamilton.

Local people cannot regard elephants with much sympathy when they break down fences and trample over crops. The same applies to other species such as the buffalo.

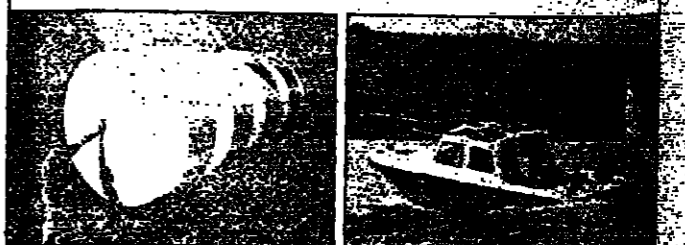
One of game's worst enemies is drought, and losses of wild life ran into tens of thousands two years ago. Now, however, with good rains all over Kenya, bringing green new life to the bush this year the animals have a chance to recover their numbers.

J.W.

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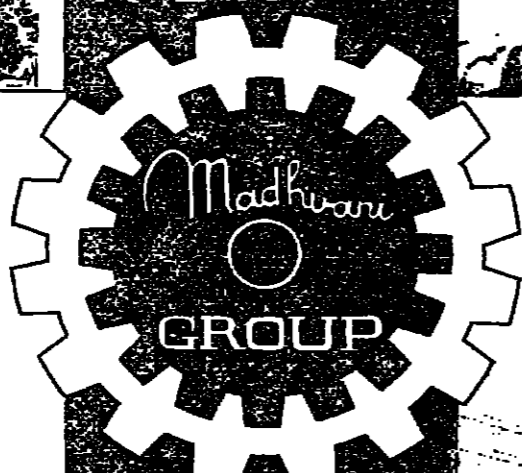


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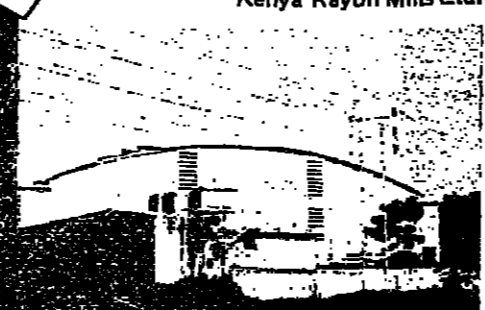


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هك زامن النحل

ECONOMIC VIEWPOINT

Summer report on Labour

AS I reach the end of my temporary tenancy of this column, the polls have begun to suggest that Mr. Callaghan and his Government have at least a sporting chance of getting themselves re-elected, and for the moment at least the weather suggests that God is a Labour voter. Certainly a sharp rise of real incomes and a fine summer would provide the best climate the Prime Minister could hope for, and he seems to be trying to take advantage of it to project himself as the kind of unexciting, steady, reliable, and pleasant party. "Cry God for the family, NATO and the global good" — not a rallying cry to get to trumpet, but it might work. Certainly it is worth considering Mr. Callaghan's record and prospects: this may be our future.

The Government's greatest claim to credit is simply that it has come through, and learned at least something from the battering it has taken. Inspired by necessity and a monetarist son-in-law, Mr. Callaghan appears to have grasped that Keynes did not invent a recipe for combining growth with egalitarian socialism, in which Government deficits can take the place of economic incentives. He showed only that a deficit sufficient to offset an excessive desire in the private sector to save can prevent a recession from turning into an outright economic collapse.

The large deficits which have been planned or tolerated in all developed countries, and the fairly benign recession which has resulted, are in fact a triumph of true Keynesian management. It is only the neo-Keynesian error of suppos-

ing that he had discovered the secret of growth — a claim he never made — which has been exploded. That secret still eludes us.

Mr. Callaghan would also no doubt claim incomes policy and industrial peace as Socialist triumphs. The truth is again that experience has been the best teacher. The unions have learned to understand the link between wages and inflation, and between inflation and unemployment. The facts of life have won.

Same crisis

The facts of life have again taught the need to control credit. The Prime Minister took office at a time when tax credit control had produced an exchange crisis, and seems to be contemplating asking for a new term during a muted replay of exactly the same crisis. It was found always clear analytically that a regime of floating exchange rates would make the control of credit far more important, and with a far more urgent time-scale, than it was as long as fixed exchange rates were credible. Unfortunately technical mismanagement has made it difficult to achieve and technical mismanagement has directed attention to the wrong measures.

The money supply is only a good measure of the impact of credit policy in a regime of clean floating; the larger the scale of intervention, the more becomes the relative importance of domestic credit expansion. The combination of errors has meant that a policy aimed at stable exchange rates and stable monetary growth has failed on both fronts, while interest rates

have become so unstable that the financial markets have become almost totally remote from the process of real investment. Some good marks for effort, but must learn to do it.

Exchange controls mean in effect that when the private sector achieves a surplus overseas, the State claims a monopoly right in acquiring the corresponding overseas assets. This means that it must not only finance its own excess spending, but its acquisition of foreign currency. A failure to acquire sufficient currency, and to finance its acquisition soundly, means both a sharp temporary rise of the exchange rate, and a sharp rise of the money supply. Meanwhile long interest rates are much higher than they need have been, and the financial recovery of the private sector is impeded. The result, so far from keeping investment funds at home, is to reduce investment.

The second stage of this drama aggravates the damage. The rise of exchange rates to an unsustainable level erodes profit margins in export markets, and undermines industrial confidence. The rise of the money supply, and the release of the exchange rate from its speculative peak, does the same for financial confidence. At the end of the cycle inflationary fears and interest rates are higher than they would otherwise have been, real growth is less; yet the weakness of the currency and the loss of part of the reserves acquired make it appear absurd to argue that we should be much better off without exchange controls.

This is an expensive piece of baggage, and we may be lumbered with it for a long time.

Internal confidence in Britain last year would have been far more helpful if the Government had allowed the private sector to reap some of the overseas benefits, but must learn to do it.

These central issues of fiscal and monetary management have precious little to do with socialism, except in the sense that crowding out as a way of life — a result of the way the Government deficit is financed, rather than its sheer size — has driven industry into the arms of Government for its money. Stock relief, investment allowances, and the various lame duck schemes have become an industrial money transfusion service. There is no sign that this extension of corporatism was in any sense planned, and indeed the Government has done little to exploit the power implied in its dependence of industry on its goodwill; it is inadvertent socialism.

The Government has lugged only two pieces of explicitly socialist baggage into this financial area: exchange control and dividend control. Each has in fact helped to prevent the Government from achieving its own economic objectives, and helps to explain the very disappointing pace of recovery now — not really what the Government had in mind when it planned its economic election strategy.

The way in which exchange controls have hampered growth and investment is difficult to explain to a sceptic, because such controls, if they are kept on for more than a short time, create their own justification. The fact remains that the recovery of the balance of payments and of ex-

ternal confidence in Britain last year would have been far more helpful if the Government had allowed the private sector to reap some of the overseas benefits, but must learn to do it.

The continuing limitation of dividends is by comparison a minor irritation, but it helps to complete the job of stifling growth. It means simply that investors cannot take it for granted that a really successful company will be a rewarding one in which to hold shares, and helps to explain why share values in real terms have fallen by more than half while output has just achieved a peak higher than the last five years ago. It is an aspect, if you wish, of crowding out. It ensures that takeover is cheaper than real expansion, and inhibits the flow of new issues which would fund bank indebtedness just as effectively as the latest lap stock.

Huge issue

It is also part of the strategy which has led to huge issues of high coupon debt. This means, incidentally, that if another Labour Government succeeds in its treasured objective of halving the inflation rate again, it will at last have achieved a genuine redistribution of personal incomes. One or two per cent of national income will have been transferred from taxpayers to holders of private sector pensions. That is the im-

plication of paying 5 or 6 per cent in real terms on Government debt.

However, some muddle is to be expected from those who simply muddle through — and we have come through. We might have come through with a stronger economy, but we might have done a great deal worse, and been a great deal more divided and angry than we are. Mr. Callaghan can run as a national manager without too many blushes.

As a socialist, on the other hand, he has a less impressive record. He is probably glad of this fact, and counts it an electoral asset; but from a national point of view, it is almost certainly a pity. We have no need of any Government determined to reinforce trade union monopoly powers — about the only field where the present Government has established any legislative legacy; but there are some jobs that a socialist government can be expected to do more readily than a Conservative one, and which need doing.

One of the most urgent used to be summed up by Sir Harold Wilson, in one of the more convincing of his standard speeches, as the task of favouring those who earn money rather than those who make it. He never started on the problem.

The present Government came to office with a commitment to introduce a wealth tax, which Mr. Healey said that he hoped to use to reduce the higher rates of income tax. This is an idea that even the Institute of Directors is prepared to countenance, but the wealth tax has been ditched, and the idea seems to have died. Later came the Meade Com-



UNCLE JIM

mittee, proposing an expenditure tax to achieve the same objective. Not one Cabinet Minister has said a word about it. Socialism still stands for no incentive, and it need not.

Housing again shows the Government's lack of ideological courage. Since I discussed this recently, I need only say that the heaping of fiscal privileges on owner-occupiers goes far to explain not only the oppression of private tenants — "protected" in a way which has destroyed the market — but also explains the fact why 14 years of interrupted socialism have done nothing at all to alter the distribution of wealth. Sir Harold's objective has actually been stood on its head: it is the earners who have footed the whole bill for socialism.

Anthony Harris

Today's Events

Prime Minister expected to discuss world trade with President Carter in Washington.

Delegation from Building Societies in talks with Government officials on interest rates.

Publication of two reports from the Advisory Committee on Asbestos covering proposals to license asbestos insulation companies and also suggestions for improving techniques for measuring air in factories.

Officials of Shetland and Orkney Islands meet in Lerwick to discuss common policy on status prior to meeting with Mr. Bruce Millan, Scottish Secretary, on June 3-6 for talks on new clause in Scotland Bill.

Ban on sale of commodity options in the U.S. by order of the Commodity Futures Trading Commission.

Lord Allen of Abbeydale, chairman of the Occupational Pensions Board, announcing proposals to study pension rights on changing jobs.

Commonwealth Development Corporation annual report.

Statement by Automobile Association "Drive" magazine on driving schools and road safety.

Lord Mancroft speaks on "Evil Communications" at luncheon meeting of Business at luncheon meeting of York.

City and Westminster Junior Chamber of Commerce, Cafe Royal, W1.

Lord Mayor of London attends luncheon with Institute of Chartered Shipbrokers, Baltic Exchange, EC2.

The Queen and Duke of Edinburgh visit Institution of Civil Engineers at Westminster.

Prince Charles attends Captain Cook anniversary celebrations at Whitby.

Special session of United Nations General Assembly on disarmament continues in New York.

COMPANY RESULTS
British Petroleum (quarterly figures), Charterhouse Group (half-year), Colson and Chemical Products (full year), Morgan Crucible (quarterly figures), UBSI Group (full year).

COMPANY MEETINGS
Cliffe Discount, 1, Royal Exchange Avenue, EC, 13; European Ferries, Winchester House, EC, 11.30; Farnell Electronics, Queen's Hotel, Leeds, 1; Felix Stowe Dock and Railway, 11, Waterloo Place, W, 10; Green's Economiser, Connaught Rooms, Great Queen Street, WC, 12; Hestair, Hyde Park Hotel, SW, 12; Thomson T-Line Caravans, Park Hotel, Falkirk, 12; Toye, Connaught Rooms, WC, 12.

Graduates for industry

From Mr. G. W. Prior, Wandsworth.

Sir — The article by Nick Garrett of your Labour Staff in last Thursday's paper (May 25) seems to those of us who are in daily contact with the graduate market to strike an unjustifiably gloomy note. While it is difficult to comment in detail, since the Department of Employment's Unit for Manpower has not yet discussed its conclusions with employers' advisers in higher education, many of us have felt anything but surprised at the extent of the upturn in demand for graduates, particularly by industry this year. The director of our Central Services Unit informs me that the number of jobs appearing in his current vacancies lists is running at some 40 per cent above the level at the same time last year. It would thus be wrong for employers of undergraduates to assume that this summer, at least, there will be a large surplus of graduates. Indeed, in areas such as computing and engineering, the shortages are likely to be considerable.

The longer-term situation is more difficult to predict. It is apparent, however, that the jobs themselves are changing as well as the attitudes of students and it is no longer sensible to attempt rigid definitions of posts which are suitable for graduates. Higher educational qualifications will prove to be necessary in many fields, but hopefully graduates will prove to be the creators of jobs, not just for themselves but for others. Prospects for the next ten years may be uncertain, but are by no means generally gloomy.

Yours faithfully,
G. W. Prior, Director, Manpower Unit, University of Sussex, Falmer, Brighton, Sussex.

Buying a house in Scotland

From Mr. John Fraser, Sir — On June 12 there was an

Accounting for capital projects

From Mr. S. J. Tietz, Sir — The recent White Paper on road construction, and the findings of the Leitch Committee show that the Department of Transport realises that all is not well with the method of appraisal used for large capital projects in the public sector. This problem of accountability is by no means confined to roads as the argument between the steel industry and the Select Committee on Public Expenditure demonstrates. It is by now too difficult to follow the intentions of the bureaucrats and also, horrifyingly, expensive for any group of citizens to analyse departmental proposals and put up counter-proposals.

A radical overhaul is by now required, which permits Parliamentary and public understanding, which enables alternatives to be assessed and allows effective scrutiny of major capital projects in roads, energy or other physical investment. Something along the lines of the American impact study system is needed, but it should avoid the cumbersome reliance on the Law Courts which the American system involves.

A Major Capital Development Commission is required to scrutinise major developments in the public sector, to explore alternatives, and to ensure that schemes can be considered by Parliament and not just by Ministers and their Departments.

Parliament could have a Major Capital Development Committee

Letters to the Editor

article on property in Scotland and in particular on buying a house in Glasgow. Mr. Perman, your Scottish Correspondent.

As a practising solicitor in Aberdeen and having experience of about 25 years in the property market, I can at least reply from experience if not with authority.

It would seem that Mr. Perman has been faced with a series of unfortunate and regrettable circumstances which are most certainly not typical of house purchase throughout Scotland and most certainly not in this area. There are many firms of solicitors in Scotland who have partners and assistants who are experienced in the purchase/sale of property and can offer a "cradle-to-the-grave" service. Obviously Mr. Perman considers that our system as he saw it should be buried. From the moment of contact a solicitor can provide a service of advising on the merits of a purchase, the approximate price sought, general information about surveys, the formation of the contract, the funding of the operation and, indeed, every facet of purchase/sale of property right up to handing over the key of the door. There are many English people and others from overseas who have expressed very considerable gratitude at the service offered by solicitors and the speed and efficiency with which the whole operation can be carried out.

The term "upset price" is not one which is commonly known in the Aberdeen area and phrases such as "asking price", "round £", "offers over £", "are frequently shown on Schedules of Particulars supplied to the public. It would appear that your correspondent has suffered an injustice by apparent assumption, but I can assure you that most certainly in the Aberdeen area where there is a competition for a certain property and closing time is fixed for offers, the representatives of those offering attend at the office of the solicitor acting for the seller and offers are opened at the closing time in the presence of those offering. It is certainly

the practice here for the solicitor acting for the selling party to have authority of the highest order to disclose the amount of that offer and then the unsuccessful offerers are all satisfied that justice has not only been done but seen to be done. Occasionally embarrassment arises if offers are identical and then these offerers are given the opportunity to reoffer. Obviously the system favours a seller, but the time may come when your correspondent is a seller. Solicitors and estate agents alike and indeed the owners of properties cannot be fully informed as to the value of any particular property until that property has been marketed. Obviously a seller is out to get the best price he can and a purchaser must be prepared to put his best foot forward and offer a price which it is thought would secure the deal for him.

At least the system in Scotland holds a considerable amount of merit that once an offer has been accepted in writing there is then normally a binding contract and there need be no fear in the minds of the parties concerned that the property involved may still be unsold. Normally people coming into Scotland are surprised at the speed and efficiency with which surveys/valuations can be organised and a contract of purchase concluded.

It is hardly reflective of the whole situation in Scotland and the system involved that your correspondent should attempt to equivocate his misfortunes with that of a system which would appear to be lauded by many.

Competition is good for business, and efficient solicitors involved in the property market have a good relationship with and can, indeed, happily co-exist with estate agents. The concept of Solicitors' Property Centres in Scotland is one which appeals to those looking for property where an intending house purchaser can generally find a high proportion of property on the market all contained in a property bulletin available at a minimal cost.

Every system has its faults,

but to specialise and condemn a system on what would appear to be an isolated occasion is hardly reflective of an accurate assessment of any system.

Iain Fraser,
PO Box 65, Investment House,
6, Union Row, Aberdeen.

Numbers of unions

From the Chairman, Advisory, Conciliation and Arbitration Service.

Sir — In his letter in your issue of May 23 Mr. John Lyons is mistaken in describing the existing shipbuilding agreement relating to management staff as a "representation agreement". It is, in fact, a collective bargaining agreement, which enables CSEU unions not only to make representations on questions affecting individual members but also to raise collective issues affecting members and to submit national claims.

A representation agreement as normally understood by ACAS is one which provides only for the unions concerned to make representations on behalf of individual members with no right of collective bargaining. A representation agreement does not constitute collective bargaining within the meaning of the Trade Union and Labour Relations Act 1974. There is no doubt, in my view, that the CSEU agreement in shipbuilding provides for collective bargaining.

Mr. Lyons' approach to trade union representation in engineering differs from that put to ACAS by the majority of employers and trade unionists in federated firms. Mr. Lyons favours the further fragmentation of trade union representation. Most employers and most trade unionists do not.

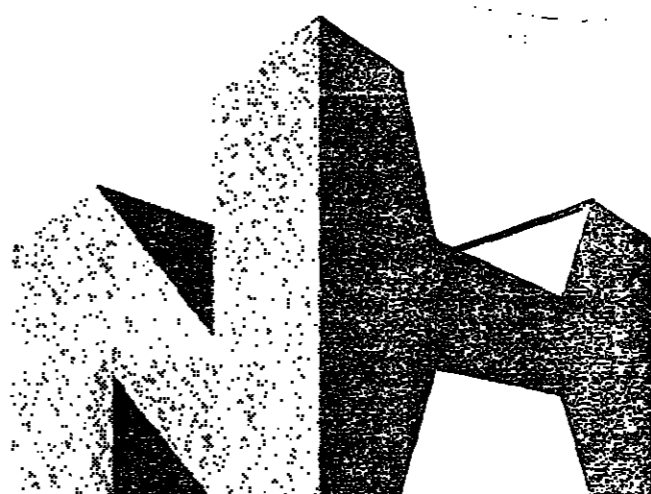
Mr. Lyons is entitled to his view but the Council of ACAS cannot disregard the views of all who may be affected by recognition claims.

J. E. Mortimer,
Cleland House, Page Street, SW1.

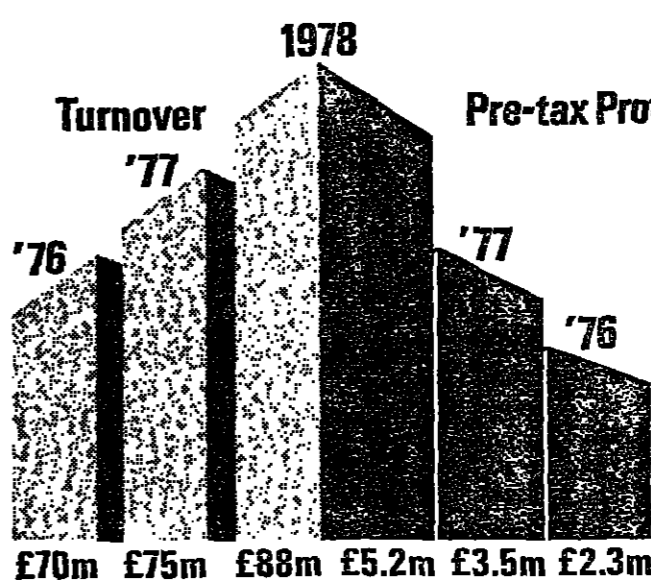
The Public Inquiry which would probably still follow, interested could see each other's comments. The British Standards Institution has used this method for comments on Codes of Practice and such practices are preferable to those of Government Departments which also invite comment but do not allow objectors to see each other's opinions.

Interested parties should then agree and report on further study they want sponsored to the Commission. When accepted, the study of the alternative could rank for a "grant in aid". The Commission would set out the brief, list criteria for future assessment, set out a programme and agree these with the Department and objectors. The Department or its agent would be responsible for the design of the scheme it favours and the appellants and their advisers would prepare alternative proposals. The Department would make available all its special information regarding sites, and their conditions, giving both the Department and the Commission the same basic information.

In due course there could therefore be two technical studies, both published as public documents, and not subject to the veto of the Department. The Commission might occasionally need to restrict publication but only where public good can be established.



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PRELIMINARY RESULTS — £'000			
(unaudited)	1978	1977	1976
Group Turnover	£88,230	£75,682	£70,433
Group profit before tax and extraordinary items	£15,157	3,474	2,247
Group profit after tax	2,394	1,626	794
Extraordinary items	623	649	(139)
Attributable profits	1,771	977	933
Dividend — 27.5% gross	417	370	225

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COMPANY NEWS+COMMENT

Dunhill ahead £0.43m to peak £9.65m

TAXABLE PROFITS of Alfred Dunhill finished the year to March 31, 1978, ahead at a record £9.65m against £9.22m after a rise at the interim stage from £4.28m to £4.8m. Turnover for the full period was well up at £52.56m compared with £37.53m last time.

Earnings per 10p share are shown as 51.2p (51.1p) and a final dividend payment of 6.05451p lifts the total to 57.1651p (57.1588p) net, absorbing £739,000 (£636,000).

The directors state that profits and losses which arise from converting the opening net assets of the overseas subsidiaries at year-end exchange rate, are taken direct to reserves. For the year, the amount involved was a loss of £114,000 (£254,000 profit).

Tax took £5.02m (£4.74m) and comprised, UK corporation tax £2.28m (£2.43m); overseas tax £1.33m (£1.05m) and deferred tax £0.81m (£0.27m). The attributable balance came out at £4.82m (£5.18m) after minorities £0.3m (£0.18m) and after dividends, £3.58m (£3.65m) was retained.

Two new directors for Monk

TWO NEW non-executive directors have been appointed to the Board of A. Monk, the building company in which St. Piran has been showing an unwelcome interest.

The two men are Mr. J. E. Bywater, former chairman and chief executive of Sime Darby Holdings, and Mr. P. W. Robinson, a director of Davy International and chairman of Herbert Morris.

In January this year, Monk refused to accept any representatives of St. Piran on to the Board.

St. Piran owned 20.33 per cent of Monk at that time but Mr. William Whittingham, chairman and managing director of Monk, said he could see no advantage in having a St. Piran representative.

He commented: "All the present directors have been with the company for a long time and bringing in an outsider would upset the pattern."

Grays inquiry chief named

THE CHIEF Registrar of Friendly Societies has appointed Mr. Murray Stuart-Smith, QC, as an inspector to inquire into and report on the affairs of the Grays Building Society.

Mr. Stuart-Smith's appointment is in addition to that of Mr. Ian Davison already announced.

HIGHLIGHTS

Full-year figures from Reed International are accompanied by a sharp drop in the dividends and a reduction in shareholders' funds. However, Reed is sounding slightly more hopeful regarding the outlook. Meanwhile, Marley's profits are below expectations and the improvement in profits, Lex identifies the treatment of House of Fraser as an associate at Lomax which has added about £5m to Lomax's profits. That aside, the underlying trading performance is poor. John Bright shows a significant profit drop though the second half did show some improvement. Invergordon's profits are buoyant and Northwest Holst is also well up. Bliton's prelims contain no nasty surprises and the market can now look forward to the results of the recent revaluation.

Alcan (UK) loan stock conversion

Holders of 82 per cent of the outstanding Alcan Aluminium (UK) 9 per cent convertible loan stock have given notice of conversion and the remaining 18 per cent might be compelled to convert.

As things stand, 16 per cent of the company's equity will soon be in British hands. The Canadian parent held £1,540,000 of the £2,285,213 stock which is to be converted.

Mr. Donald Main, finance director of Alcan Aluminium (UK), said yesterday that most of the shareholders who had not converted were private individuals. Compulsory conversion will probably be used "in their own interest," he said.

Alcan has applied to the Stock Exchange Council for a listing. If it is granted, dealings will start on Monday.

Recovery continues at Causton

THE RECOVERY begun in the second half of 1976-77 at Sir Joseph Causton and Sons has continued with the trading profit for the March 31, 1978, six months at £288,000 compared with a £23,000 loss previously.

The pre-tax profit was £258,000 against £35,000 and while last year's result was assisted by employment subsidies totalling £288,000, these contributed only £34,000 this time. Interest charges were halved to £113,000 in the period owing to lower interest rates and reduced borrowings.

For 1976-77 pre-tax profit of the lithographic and letterpress printer was £318,000. Losses of

£0.95m were incurred in the two previous years.

Mr. Christopher Bland, the chairman, says the better result reflects improved trading conditions in the commercial colour print market, with the Eastleigh division making a small profit in contrast to a substantial loss last time.

The re-organisation of the London division and continued steady growth in the Eastern, Southern and Folding Box divisions were also responsible for the improvement.

The profit came on turnover of £2.5m (£4.78m) and is subject to tax of £18,000 (nil) and before extraordinary losses of £80,000 (£31,000), mainly related to redundancy payments in the London division.

Mr. Bland says that although the group continues to operate well within its facilities, bank borrowings are still high, and no interim dividend is proposed for the year.

Dividends of 1.6708125p were paid in 1973-74 when profits were £222,866.

J. Bright more than halved

FOLLOWING A fall at half-year from £415,601 to £101,476 John Bright Group, yarn and fabrics manufacturer, finished the year to April 1, 1978, with taxable profits more than halved from £1.25m to £506,000 on turnover little changed at £20.87m, against £20.7m.

Earnings per 25p share are shown to be down from 5.58p to 3.25p and the dividend is maintained at 2.42p net, with an unchanged final payment of 1.47p.

The directors say that demand for group products became increasingly affected by the world wide recession in industrial activity. The modernisation of the industrial textile division is now in an advanced state, they

Results are arrived at after

charging an exceptional debit of £271,000 for the year in respect of a loss on the purchase of raw cotton, and interest, this time, paid on the medium term loan of £27,000.

Also there was depreciation £412,000 (£405,000), interest on 8 per cent Unsecured Loan Stock £64,000 (same), and interest received £29,000 (£26,000). For the period there was a credit of £273,000 from the Temporary Employment Subsidy and a £150,000 interest relief grant.

There was also an extraordinary debit of £98,000 being the provision for closure costs of the Preston unit. Last year there was a gain of £89,000.

	1977-78	1976-77
Turnover	20,873	20,700
Profit before tax	286	1,253
Tax	0.95	0.55
Net profit	285	698
Extraordinary debit	98	98
Dividend	24.2	24.2
Preference dividend	201	101
Interim dividend	158	158
Final		

comment

Despite a profits slump of almost 60 per cent at John Bright, the second six months showed some improvement after a first-half contribution of only £101,000. This partly reflects the raw cotton market, where prices fell by 35 per cent in the last April and November, but have since climbed back by some 20 per cent. Nevertheless, cotton stock amounting to £271,000 has been written down, most of this coming in the first six months. Demand from the rubber industry for the group's industrial textiles is still depressed and there are few signs of recovery. The tyre cord division, however, has escaped the effects of Goodyear's switch to the continent and Bright is the only UK supplier to retain business from this customer. However, the closure of the Preston plant is a sign that the company sees contraction as the only answer. Consumer demand is everybody's hope for 1978 and this at least may help carpet yarns. The outlook, however, is not exciting and although the second half improvement has been maintained in the current year there are no signs of any permanent recovery. At 33p the shares stand on a P/E of 9.7 and yield 11.6 per cent.

Sieff wins top Aims award

THE National Free Enterprise Award for 1978 will go to Sir Marcus Sieff, chairman of Marks and Spencer, at the World Press Centre on Free Enterprise Day—July 3—Aims for Freedom and Enterprise said.

A special award will go to Mr. Paul Johnson, former Editor of the New Statesman, International awards will go to Mr. Anthony Harrigan, executive vice-president of the U.S. Industrial Council and Mr. Iryve de Lange, recently retired as director-general of the Norwegian free enterprise organisation Libertas.



Mr. R. W. "Tiny" Rowland, chief executive of Lomax.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
P. Bliton	3.9p	July 21	3.34	6.18	5.33
J. Bright Grp.	1.47	July 29	2.42	2.42	2.42
Carr's Milling	0.95	—	0.95	0.95	0.95
John Crowther	0.85	—	0.85	0.85	0.85
Dubliar	0.33	July 21	0.48	0.81	0.81
A. Dunhill	6.05	July 27	5.38	8.72	7.89
Edinburgh & Geo.	Nil	—	Nil	Nil	0.05
Invergordon Dist.	1.50	Aug. 5	0.4	2.23	2.02
Kelsey Inds.	1.25	July 14	1.25	—	3.23
M & G Group	1.51	Jun. 23	1.88	—	3.46
M & G Second Unit	2.31	Jul. 18	2.04	5.06	4.34
Marley	1.68	Aug. 7	1	2.68	2.49
Northwest Holst	4.08	Aug. 7	4.19	6.58	6.4
Reed Intl.	2.04	Aug. 15	7.04	8	15
R. Samuel	2nd int. 8.5	July 17	6.4	10	7.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Gross throughout.

Shutdown fear at Short's

BY OUR BELFAST CORRESPONDENT

SHORT BROS., the Belfast aerospace company, faces a total shut-down soon because of a pay strike by 1,500 white-collar workers. Mr. Philip Foreman, chief executive said yesterday. About 600 of the 4,000 production workers have been laid off so far because of the strike by technical and design staff and their clerical and administrative colleagues. The dispute began over the widening of pay differentials between staff and shop-floor workers. A bonus scheme offered to the staff was turned down. Mr. Foreman said: "It is a very serious situation to which we really see no solution. A shutdown could lead to a loss of important component orders from Boeing and Rolls-Royce. The Michelin tyre company, whose Mullusk, Belfast, factory has been closed by a five-week strike by 350 employees over dismissal of a shop steward, has warned in newspaper advertisements of "the obvious consequences" for the 2,800 workers and their families if the stoppage goes on.

Kelsey down £0.2m in first half

ALTHOUGH TAXABLE profits for the half year to March 31, 1978, of Kelsey Industries fell from £881,415 to £782,245, the directors are hopeful that the final outcome will not be materially different from last year, profit for the whole of the 1976-77 year was a record £2.2m. They say the continuing absence of long term manufacturing orders precludes any realistic forecast.

Turnover for the six months was ahead from £7.59m to £8.32m but the directors explain that the higher figure arises more from increased prices paid for raw materials, than from a greater volume of business. And profit margins have not kept pace with costs, they add.

On increased capital from scrip issues and consolidation, earnings per 25p share are shown as 25p (10p) and the interim dividend payment is unchanged at 1.25p—last year's final was 1.98475p.

Net profit was £325,243 (£459,415) after tax took £457,000 compared with £522,000.

Exports continue to be a major part of the sales of the manufacturing companies and the U.S. BIB Hi-Fi Accessories Inc. is progressing.

The order book of the roofing contractor company is in line with budgets but the amount of work completed has been adversely affected by the long winter.

The principal activities of Kelsey are the manufacture and sale of solder, soldering and audio accessories, sealants and mastic compounds and carries on business of industrial roofing and insulation contractors.

New insurance company rules from August

NEW REGULATIONS come into operation at the end of July requiring information to be given to the Secretary of Trade about people who intend to become controllers of, or who have recently become directors or managers of, existing insurance companies.

They supersede regulations made in 1975 and take into account subsequent developments and experience. They require those affected to give slightly more information than themselves and resolve certain doubts over the application of the earlier regulations.

The information is needed to enable the Trade Secretary to consider whether a person concerned is a fit and proper person to hold such a post.

STRIKE HITS LE NICKEL

In protest against production cutbacks, some 3,700 employees of Le Nickel in New Caledonia have come out on strike. The manage-

ment had earlier stated that production would have to be reduced this year to 44,000 tonnes from 50,000 tonnes originally planned. The cutback meant shorter working hours and therefore lower wages.

Near £1m growth at Invergordon

AS FORECAST pre-tax profits of Invergordon Distillers (Holdings) continued to rise in the second half of the year to March 31, 1978, and with an increase from £1.04m to £1.58m for the period, the full year figure finished at £2.8m compared with £1.8m.

At the interim stage when reporting an advance from £1.8m to £1.32m the directors said that they expected the improvement to continue for the rest of the year.

Sales for the 12 months were ahead 53 per cent at £4,535m and the directors now say that trading to date indicates a further increase in the current year.

Earnings per 25p share are stated at 12.44p (7.04p) and the net final dividend is 1.25p for a 2.2385p (2.0215p) total.

After tax of £277,945, adding £470,185 the net balance available is £1.06m higher at £2.8m.

comment

Profits at Invergordon Distillers are up 53 per cent thanks to a small increase in volume sales and slightly better margins on exports. The heavy capital investment of the last five years is now more or less complete and a new still at the Grain distillery in Invergordon will come on stream later in 1978. This will not have a dramatic effect on profits but should help to keep down costs.

What is most interesting is the boost to reserves from a reduction of four malt distilleries and other properties during the year just ended. A surplus of £1.3m was added to shareholders' funds in the last accounts after a similar exercise at the main distillery complex in Invergordon. The company says trading for the current year shows sales slightly up on last time but it may be difficult to maintain the same rate of profits growth. At 191p, the shares stand on a P/E of just under 8 and yield 3.4 per cent, though most attention is rightly focused on the possibilities, now that Hawker Siddeley has gained control of Causton-Invergordon parent.



REED INTERNATIONAL LIMITED

Preliminary Results for Year Ended 31st March 1978

Overview

A year ago the Board made it clear that a period of rationalisation and retrenchment was needed.

The principal tasks since then have been to improve the return on existing assets and to make careful plans to sell or shut those operations which are either irrelevant to the main stream or are unable, for whatever reason, to earn a satisfactory return.

Efforts so far have produced:

Record trading results in the U.K. of £75m (£53m 1976/77);

A number of disposals realising approximately £40m;

A major rationalisation of the Canadian business.

A great deal remains to be done as the real return on the business as a whole is too low. It is still a primary objective of the Board to reduce the gearing. The strength of the U.K. business, a strong U.K. cash position and the long term of much of the debt continue to provide a firm base from which to tackle methodically the Group's problems and to ensure that any further disposals are made at the most propitious time.

Results

Compared with the previous year sales increased by 9% and trading profits by 11%. The principal improvements came from Paper, Packaging and Publishing in the U.K.:

Trading Profits £m	1977/78	1976/77
Paper & Packaging	32	25
Publishing & Newspapers	33	24
	65	49

This is an increase of 33%.

Decorative Products remains a difficult area. An improvement in the U.K. and Europe was more than offset by reductions elsewhere.

Against a background of severe competition in Building Products, especially on the Continent, and the costs associated with the opening of the £3m expansion at Twyford, profitability has improved.

Overseas, Africa and Australia did well in difficult conditions, but Canada suffered a major setback. The trading profit of the North American Pulp and Paper interests fell from £11m to nil in 1977. The Canadian losses in the quarter to December 1977 have been halved in the quarter to March 1978 and are expected to be further reduced in the quarter ending June 1978.

Taxation

The taxation provision is made on the same basis as the previous year and is exceptionally high as losses incurred in Canada cannot be offset for taxation against profits elsewhere.

The Board support the proposals in ED19, but have decided to await the issue of an agreed standard before adopting them. If ED19 had been adopted, taxation for the year would have been reduced by approximately £5m.

Extraordinary Items

The principal items were £23m resulting from the Canadian rationalisation programme and £16m arising on the sale or writing-down of the investment of shares and loan stock of MEPC and the property revaluation in MEPC-Read.

Dividends

After giving careful consideration to all the issues involved the Board has decided to recommend a final dividend of 2.0445p per £1 Ordinary Share. This proposed final dividend together with the interim, will make a total of 8.0p for the year, compared with 13p for the previous year.

The decision to reduce the dividend reflects:

The need to reinvest in the successful businesses;
The objective of a reduction in financial gearing;
The objective of paying a dividend which can be maintained in a period of economic uncertainty.

In the absence of unforeseen circumstances the Board expects to maintain total dividends in the current year at 8.0p but intends to reduce the interim to 3p, a more normal proportion of the total.

Subject to approval at the Annual General Meeting which will be held on 3rd August 1978, the Final Dividend will be paid on 15th August 1978 to Shareholders on the Register on 30th June 1978.

Funds Invested

Shareholders' funds fell from £412m to £356m. In addition to the deficit of £26m transferred from the Profit and Loss account after extraordinary losses there was an exchange loss of £30m caused by the strength of most of the Continental currencies in relation to a number of other currencies, notably the Canadian dollar.

Loan Capital has fallen by £22m to £377m, compared with an increase of £100m in the previous year. Net short-term borrowings were also reduced, from £35m to £7m, reducing total net borrowings by £50m. At the end of the year the Group had cash and unused short-term facilities in excess of £170m, of which over £100m was in the U.K.

REED INTERNATIONAL LIMITED REED HOUSE
PICCADILLY LONDON W1A 1EJ

PRELIMINARY CONSOLIDATED PROFIT STATEMENT (unaudited)

for the year ended 31st March 1978

	3 Months ended 31.3.77	31.3.78		Year ended 31.3.77	31.3.78
	£m	£m		£m	£m
SALES	420.7	415.9		1623.2	1488.2
United Kingdom and exports	220.8	212.2		887.0	799.6
Overseas	199.9	182.7		736.2	688.6
TRADING PROFIT	27.9	28.6		106.6	95.8
SHARE OF ASSOCIATED CO'S PROFITS	1.4	1.4		9.8	14.4
OPERATING PROFIT	29.3	30.0		116.4	110.2
United Kingdom	19.9	27.7		80.1	62.1
Overseas	9.4	2.3		36.3	47.9
INTEREST	(9.0)	(7.3)		(35.4)	(35.4)
PROFIT BEFORE TAXATION	20.3	22.7		81.0	74.8
TAXATION	10.7	12.6		48.5	40.4
United Kingdom	6.3	11.3		31.4	20.8
Overseas	4.4	1.3		17.1	19.6
PROFIT AFTER TAXATION	9.6	10.1		32.5	34.4
MINORITY INTEREST	2.1	1.8		7.8	7.0
				24.7	27.2
EXTRAORDINARY ITEMS LESS TAXATION				(41.5)	(7.3)
PROFIT (LOSS) AFTER TAX AND EXTRAORDINARY ITEMS				(16.8)	19.9
DIVIDENDS paid and proposed					
Preference				0.2	0.2
Ordinary 1977 8.0000p per share				8.9	14.5
1978 13.0000p per share					
Total dividends				9.1	14.7
PROFIT (LOSS) RETAINED				(25.9)	5.2
EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS				21.9p	25.8p

FUNDS INVESTED AND EMPLOYED (unaudited)

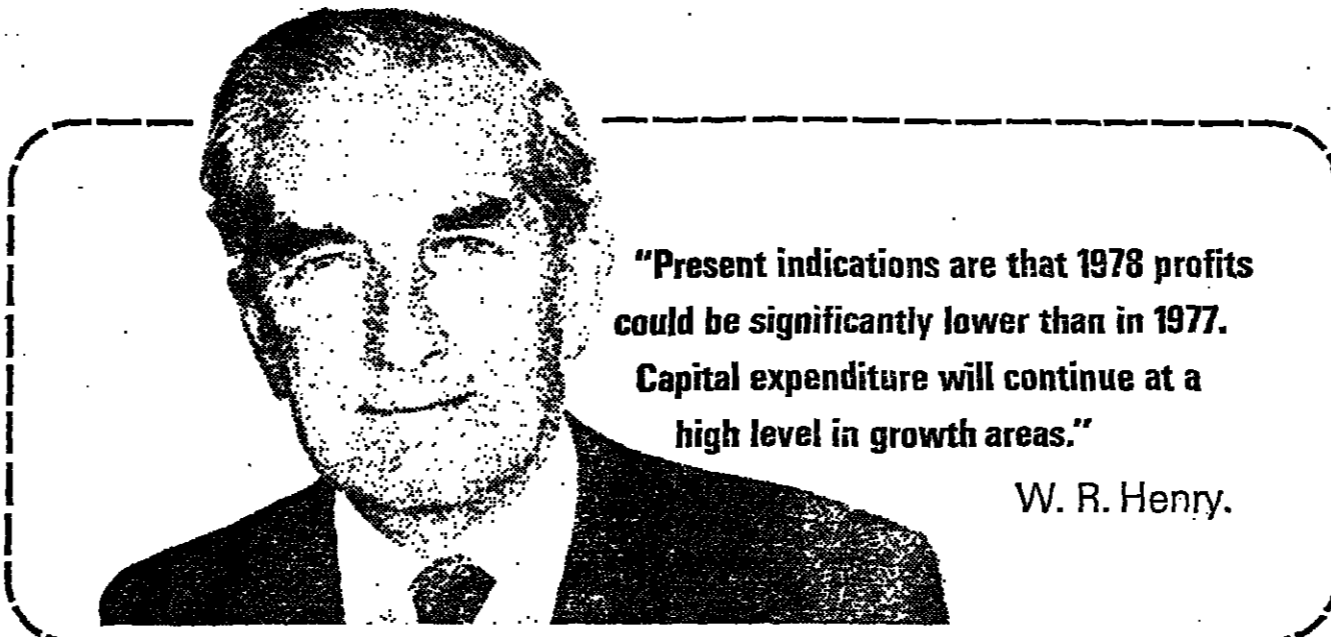
	31.3.77	31.3.78		31.3.77	31.3.78
	£m	£m		£m	£m
Shareholders' Funds	356	412			
Deferred Tax	50	52			
Outside Shareholders' Interest	50	52			
Loan Capital	377	356			
Net Short-term borrowings	35	7			
	844	844			
Fixed Assets	317	340			
Investments	58	59			
Goodwill	373	185			
Working Capital	298	327			
	846	911			

Notes: 1. Overseas results relate to the year ended 31 December 1977.

2. Translation of overseas currencies into sterling: Profit & Loss items at appropriate average rates; good will at rates at date of acquisition; other assets and liabilities at rates at balance sheet dates.

Coats Patons achieve record sales of £640m.

Advance in trading profit restricted to 10% by recession and adverse exchange movements.



"Present indications are that 1978 profits could be significantly lower than in 1977. Capital expenditure will continue at a high level in growth areas."

W. R. Henry.

The following is the Review of the Chairman, Mr. W. R. Henry, circulated with the Report and Accounts of Coats Patons Limited for the year ended 31st December 1977.

STAFF

On your behalf I wish to thank all our employees throughout the world for their combined effort in producing a result for the year which, given the recessionary conditions encountered in so many important areas, was a tribute to their skill and involvement with the Company.

THE BUSINESS YEAR

In the first half of 1977 there were signs of a downturn in trade in many countries and the second half-year confirmed this trend. Although our world sales levels fell only slightly, there was a marked drop in thread sales and an offsetting increase in sales of other Group products. Trading margins generally improved but, with a continuing downward trend in thread sales in depressed areas, a further improvement in margins will be difficult to achieve in the immediate future.

The temporary strengthening of Sterling reduced profits by £14,000,000 and necessitated a write-off to reserves of £17,641,000 in respect of net current assets overseas.

TAXATION

We have not adopted the Accounting Standards Steering Committee's proposal, under which a deferred tax provision is required for the liability arising from capital allowances and stock relief if, in the opinion of the Directors, this liability is deemed to be indefinitely postponed. We are opposed to the view that a liability can become a reserve merely because it is undated. It is too reminiscent of the concept that borrowing by the Government from other countries somehow increases the nation's reserves.

If in a year's time the Chancellor cancels the liability for deferred tax arising from stock relief in 1973 and 1974 we shall take credit in the Accounts for the appropriate sum. It is heartening that a British Chancellor and his advisers have finally realised that there is no long term advantage to the nation in taxing inflationary profits. Brazil knew this years ago.

CURRENT COST ACCOUNTING

We have included in the Accounts a statement of the effect of the Hyde adjustments on the 1977 figures. I would only add to the Directors' comments in the Accounts by stating that a considerable portion of the fixed assets, viz., spinning, would not automatically be replaced at the present time as it might prove more advantageous to purchase yarn from third parties. For that reason and the others expressed in the Accounts, I am convinced that the Hyde formula understates the adjusted profits.

PENSIONS

On 1st April 1978 we introduced a new funded pension scheme, with pensions related to final earnings, which replaces the earlier schemes and offers the opportunity to every employee in the United Kingdom to opt out of the new government earnings related pension provisions. This means that we are working towards a situation in which everyone who joins the new fund, from the most junior employee, weekly or monthly paid, to the members of the Board, will have equal rights to pension related to their earnings.

Pension terms and conditions in the private sector are in stark contrast to the blank cheque issued in 1971 in the form of indexed pensions to civil servants and public employees, and adopted by the nationalised industries. Where such pensions are funded, enormous actuarial deficits must—and in some cases have been admitted to—exist. These deficits and the increases in unfunded schemes have to be met by the taxpayer or by price increases levied on consumers by monopolistic public utilities. It is invidious, to say the least, that employees in the private sector must help to provide index-linking for others, a benefit which often cannot be afforded for themselves. In as far as public service pension schemes are funded, they make available large sums for investment on the Stock Exchange, which is not overburdened with new stock issues. The aggregate investment of the public sector pension funds in the private sector could, under certain circumstances, be uncomfortably high.

PRODUCTIVITY

Another heartening fact is the greater acknowledgment today of the need for an increase in our productivity to achieve a prosperous Britain. The lack of it has eliminated our advantages of lower wages and a weak pound which, instead of making us one of the richest countries in the world, were used as soft options enabling us to muddle along.

Our low productivity is often blamed on lack of investment, and in some instances this is probably true. Investment would be fruitless, however, if productivity equal to our competitors' was not achieved, and this fear may be acting as a disincentive on many businessmen.

If so, the fear can only be eliminated through frank and open discussions, preferably conducted between each company and its employees, aimed at achieving productivity parity with our competitors. Acceptance of the need for lower labour costs per unit of production coincides with a period of world recession and, because of this, its fulfilment is bound to increase the level of unemployment, at least initially. A great deal of courage and confidence in the future is required to face this, but it is

essential if we are ever to become competitive.

Perhaps if, when the level of unemployment is under discussion, it was customary to add to the conventional figure an adjustment in respect of the level of overmanning that exists nationwide, the figure might be so horrific as to ensure a realistic attitude to the true depth of our national problem.

TECHNICAL INNOVATION

Any apparent dearth of invention in the United Kingdom—or perhaps more accurately, the failure to exploit it—could have various origins. First, the inventor is not necessarily an equally good entrepreneur. Second, funds may not always be available to the man with a good idea capable of exploitation because of the serious disincentive to take risks posed by the present rates of direct taxation.

We, like some others, believe that large companies have a part to play in assisting such exploitation of British inventions. We are therefore willing to assess the viability of any idea or product, if its development would involve our existing technological and managerial skills.

PROSPECTS

Trading conditions in Europe in the first quarter of 1978 are not good, with Italy and Spain being particularly depressed, and there is no immediate prospect of improvement. In North America margins in home sewings remain poor. Latin America, Asia and Australia are more buoyant but conditions in South Africa continue difficult.

In the United Kingdom bookings of yarns and fabrics are down, but some improvement may be seen in the second half-year as a result of the Multi Fibre Arrangement negotiations. In hand knittings there is evidence of a swing in customer preference towards yarns carrying lower margins. Garment sales, with the exception of children's wear, are ahead of 1977.

As the most depressed markets involve Coats, our largest and most profitable Division, present indications are that 1978 profits could be significantly lower than in 1977.

Capital expenditure will continue at a high level in growth areas, and expenditure on modernisation will remain a high priority. The development of new products and activities is being pursued energetically and numerous projects being investigated look promising.

The following are extracts from the Directors' Report:

DIVIDEND

The Directors recommend a final dividend of 2.0972p per share which with the interim of 1.1603p already paid is the maximum permitted.

If the 1978 Finance Act confirms that the standard rate of tax is reduced to 33%, it is recommended that a

supplementary final dividend of 0.0317p per share be made payable together with the interim dividend for 1978.

SALES

An analysis of the movement in world sales between 1976 and 1977 is as follows:—

1976 Sales	£615,019,000
Less decrease in volume	8,717,000
	606,302,000
Add price increases	105,216,000
	711,518,000
Less exchange difference	71,984,000
1977 Sales	£639,534,000

World volume decreased net by 1.4%, while selling prices increased by 17.1%. The downward movement of other currencies against Sterling reduced sales by 11.7%.

PROFITS

Trading profits rose by £7,935,000, or 10%, after being reduced by around £14,000,000 due to the weakening of overseas currencies by the end of 1977. Pre-tax profits increased by 9% to £83,233,000 after absorbing net increased interest charges of £2,103,000 and a reduction of £1,365,000 in profits of associated companies. Income from investments and sundry income increased by £2,323,000.

TAXATION

The reflected rate of tax was 41.9%. Deferred tax amounting to £6,963,000 was charged in respect of United Kingdom capital allowances and stock relief, and £5,169,000 in respect of overseas tax allowances. No provision is required for advance corporation tax not immediately recoverable.

EARNINGS FOR ORDINARY SHAREHOLDERS

Earnings for ordinary shareholders increased to £40,775,000 after charging £1,970,000 for extraordinary losses of which £1,733,000 was goodwill written off in a subsidiary company now liquidated.

J. & P. COATS, LIMITED DIVISION

The three main product groups of the Coats division are—home sewing products; embroidery, hand knittings and crafts; and industrial threads and fasteners. These groups accounted in 1977 for 88% of the division's turnover and 89% of its profit. Overseas markets accounted for 91% of the division's turnover and 92% of its profit. The division's

sewing and handicraft thread sales were 5% down in volume compared with 1976. The diverse geographical and product spread of the division produces a balance of strength which in 1977 ensured that it recorded profits ahead of 1976 in total, in spite of difficult trading conditions and a temporary weakening of trading currency in terms of sterling towards the end of the year.

The managerial objectives of the division throughout 1977 were concentrated on maintaining margins and broadening the article ranges in each of the three main groups. Trading profit margins for the division as a whole increased slightly over 1976, a reduction on home sewing products being compensated by an improvement in margins in the industrial thread and fasteners group. Geographically a significant reduction in sales and margins in North America was offset by higher profits in Latin America. Margins in Europe and Australia improved slightly, but in Africa and Asia they were not quite as good. The turnover of non-thread items continued to show a satisfactory increase. The division spent £14.6m on capital expenditure in 1977 and anticipates spending £21m in 1978. The 1977 figure is additional to the acquisition of the 24.9% interest in William Prym-Werke A.G. reported last year, and of the entire share capital of Rotax Razor Company Limited.

YARNS AND FABRICS DIVISION

1977 saw a further improvement in all sections although a sharp downturn in the last quarter has left the division with under-utilised capacity, mainly in the synthetic spinning mills.

GARMENTS DIVISION

Jaeger had another excellent year with turnover up by 25%. Strong demand for its products continued in the home market; the growth in export markets was also most encouraging, particularly in Japan, which looks like becoming a very important market. Laird-Portch took full advantage of the fashion swing to tartans and turnover rose by 40% with a corresponding improvement in trading profit. Country Casuals greatly strengthened its position in the market with an increase in turnover of over 50%, and shop-in-shops are now firmly established in many of the country's leading departmental stores.

Children's wear had a difficult year affected by the generally depressed economic conditions and the poor summer. Nevertheless, turnover of UK manufactured goods increased by 17% and trading profits, whilst still far from satisfactory, showed a substantial improvement on the previous year. Pasold's subsidiary in Canada made a loss and this operation has now been closed.

In the Knitwear Group, turnover increased by 50%. Manufacturing capacity is being expanded.

Garment sales by Bond's Industries in Australia were marginally up in volume and profits continued to improve from the very depressed figures for 1974 and 1975.

HAND KNITTINGS DIVISION

The Hand Knittings division had a much better year, benefiting from considerable growth both in its UK and export hand knitting sales.

Against an overall volume increase of 25%, the division doubled its profits in 1977.

EXPORTS

The exports of the Group from the UK in 1977 amounted to £59,960,000 (1976 £51,591,000) of which sales to parties outside the Group amounted to £47,144,000 (1976 £38,826,000).

GROUP RESULTS FOR 1977 ... AND WHERE THE PROFIT CAME FROM

	1977 £'000	1976 £'000	1975 £'000
Turnover	639,534	615,019	487,096
Assets employed	390,079	363,104	307,683
Profit before tax and loan interest	87,758	80,188	41,305
Profit earned for Ordinary shareholders before extraordinary items	42,745	38,567	19,154
Earnings per share	15.4p	13.9p	6.9p
Ordinary dividends including income tax/tax credit	4.94p	4.49p	4.08p

24.7%

10.4%

27.0%

25.7%



Coats Patons are the world's biggest threadmakers and leading producers of synthetic and spun yarns, operating 163 manufacturing units in 30 countries and employing over 68,000 people.

In the U.K. alone we are behind such famous names as Jaeger, Country Casuals, Bonbro, Byford, Driver, Dalzith, Ladybird, Chilprufe and BabyChic. We are in general textiles with West Riding Worsted and Woollen Mills and John Heatcheat. Our other products include dressings and mouldings.

Overseas boost gives Marley £7.5m. halfway

UK PRE-TAX profits of Marley fell from £5.22m to £4.7m but overseas profits rose to £2.41m against £1.54m and lifted the total figure for the six months to April 30, 1978, from £6.76m to £7.54m. Profits for the whole of the 1977-78 year were down from a peak of £17.1m to £13.3m. Sales for the half year were ahead at £18.14m (£16.97m), and comprised UK £7.15m (£6.7m) and overseas £10.99m (£10.27m). First-half earnings are ahead from 5.1p to 5.4p per 25p share and the interim dividend is unchanged at 1p net absorbing £398,000 (same)—last year's final payment was £1.4045p. Marley is an international group of companies manufacturing and selling products for the building trade.

Six months

	1977-78	1976-77
Sales	18,140	16,970
UK	7,150	6,700
Overseas	10,990	10,270
Trading profit	9,161	8,212
Interest payable	1,451	1,432
Profit before tax	7,710	6,780
UK	3,668	3,251
Overseas	4,042	3,529
Taxation	1,302	1,254
UK	511	459
Overseas	791	795
Net profit	6,408	5,526
Dividends	3,980	3,980
Attributable	6,408	5,526

Kwit-fit chief sees further improvement

During March and April, sales at the tyre and exhaust fitting stations of Kwit-Fit (Tyres and Exhausts) Holdings showed an increase of some 50 per cent on last year, says Mr. Alec Stenson, the chairman, in his annual statement. This trend is expected to continue, he adds, and he is confident that this division will show a further upsurge in profit. The group's Dutch subsidiary, Van Rooij, Dordrecht, distributor of garage and light industrial equipment, is maintaining turnover, and given improved conditions in Holland, the chairman feels that it should show further improvement during 1978-79.

Slower trend for Bilton in second half

THE DIRECTORS of Percy Bilton, property investment and development, and civil engineering group, report taxable profits for 1977 up to £10.5m to £14.7m on turnover of £21.8m against £20.1m. At the interim stage profits were up from £2.68m to £3m. Earnings per 25p share are 9.2p (8.3p) and the dividend is stepped up to 6.75p (5.35p) net with a final payment of 3.44p. Net profit was £2.48m (£2.96m) after tax took £2.20m (£2.53m). The group has incurred substantial losses on housing contracts, the directors add. Following the thorough reappraisal of these contracts, they say it is clear that most of these losses arose from building work done prior to December 31, 1976. In these circumstances, an amount of £600,000 being the estimated losses attributable to prior proceeds, after deduction of the appropriate corporation tax relief has been charged against retained profits, since it is not practicable to allocate these losses over prior years.

● **comment**
Bilton warned at the half-year stage that it would have to make further loss provisions against housebuilding contracts dating back to 1976. In the event the group needed to write-off just £600,000 of the £1.25m it had forecast earlier. But the market was in no mood to applaud even

sharply reduced provisions and the shares eased 3p to 180p. The year's results hold no other surprises, and the market will now be looking ahead to publication of the group's accounts when it has promised the results of its first portfolio realisation since its stock market flotation in 1972. Outside estimates suggest that reported net assets of 77p a share could rise to around 200p, putting the shares on a 20 per cent discount to assets, in line with the rest of the sector.

Oliver Rix jumps midway to £155,005

PROFIT OF Oliver Rix for the half year to March 31, 1978, jumped from £18,348 to £155,005 on turnover of £12.52m against £13.38m and has been achieved in spite of the group's continued reorganisation and consolidation of its motor division. Profit for the full 1977-78 year recovered from two years' losses of £460,000 to £132,000.

Mr. A. K. L. Stephenson, the chairman, says he is reasonably confident that there will be a further improvement in the second half. Meanwhile, the group is actively evaluating

the property side profit came out at £190,000, reducing the loss brought forward to £108,000. Earnings per 10p share are shown at 0.32p (0.3p). Again no dividends will be paid. The ladies' clothing, property development and investment group last paid a 0.175p interim in 1974/75.

Dubilier 25% rise midway

A 25 PER CENT increase in taxable profit from £87,000 to £108,750 is announced by Dubilier, a manufacturer of electronic components for the electronics industry, for the half-year to March 20, 1978, on turnover ahead by 27 per cent to £4.88m.

All the main activities of the group have done well and with both domestic and export orders at record levels the directors anticipate a satisfactory outcome for the current year, with turnover expected to exceed £10m and exports rising to £3m. For all the previous year, pre-tax profit was a record £826,000, on sales of £8.64m.

After tax of £234,000 (£184,000) first-half net profit rose from £203,000 to £251,000. The net interim dividend is 0.5324p (0.484p) per 5p share—last year's final was 0.504p.

The directors consider the result to be particularly satisfying in view of the fact that during the period the group absorbed the start-up costs of several new ventures, which will contribute to profits in the longer term. Provision has been made for full taxation, although the board considers the actual amount of tax to be paid will be substantially less than this.

They add that an important licensing agreement has recently been concluded with the UKAEA's Culham Laboratories, which gives the group sole world rights to manufacture and sell a unique, metal ion coating process. A new company, Dubilier Scientific, has been established to develop this invention commercially.

After tax of £237,000 (£195,000) net profit for the period was £110,000 (£81,000). The net interim dividend is raised from 0.88p to 0.98p per 25p share—last year's final was 0.75p. The directors say that estimated tax is shown at 32 per cent of taxable profit for comparative reasons only, while it appears unlikely the rate of tax charge for the current year will differ significantly from that applicable to the 33 weeks ended September 2, 1977, when £50,000 was charged from £119,000 profit.

Profits at a satisfactory level were maintained in the 26 subsidiaries engaged in flour milling and the manufacture of animal feeding stuffs but a loss was incurred by its frozen foods factory. This operation started a year ago and rapid expansion in sales is not unrealistic to expect a contribution from Society Fare in the next financial year, the directors add.

The major sectors of the group's business are continuing

11% growth in Home Service Insurance

Premium income on all life business transacted by the Home Service Insurance Company rose by 11 per cent last year to a record total of £1,266m according to figures published by the Industrial Life Offices Association. The insurance premiums increased by 10 per cent to £523m. Home service insurance is where the company's agent calls at the home of the policyholder to transact business and collect premiums. Both life and general insurance are covered. These figures are based on returns from 18 companies, ranging from the Prudential and the Pearl to Telford and District Assurance Collecting Society and accounts for over 90 per cent of all industrial life business transacted.

Premiums from industrial branch business rose by 11 per cent to £523m, the first time that premiums on this type of business have exceeded £500m. In the ordinary branch, premiums rose by a similar amount to £472m, which regular premium amounted to £211m, single premiums to £106m, and permanent benefits to £255m. Payments to policyholders increased by 8 per cent to £265m in the industrial branch—£11m each day—and in the ordinary branch payments were £24m last year against £164m in 1976.

Gross investment income from life funds rose substantially last year, that in the ordinary branch by 12 per cent to £140m and in the industrial branch by 12 per cent to £110m. Overall these companies contributed £78m to new investment in life funds.

Mr. R. E. Holland, chairman of the association, stated that it was upon the earnings, placed and undistributed by the companies, that the bonuses were a vital element in attracting and retaining savings through life insurance.

TEBBITT RIGHTS
Tebbitt Group's rights issue of £240,000 of convertible Unsecured Loan Stock 1985 has been taken up at 10.15 per cent. The

RESULTS AND ACCOUNTS IN BRIEF

F. MILLER (TEXTILES) LTD.		1977-78	1976-77
Sales		£2.2m	£2.0m
Profit before tax		£1.3m	£1.1m
Profit after tax		£0.8m	£0.7m
Dividend		0.1p	0.1p
House of Lords (Textiles) Ltd.		1977-78	1976-77
Sales		£1.1m	£1.0m
Profit before tax		£0.6m	£0.5m
Profit after tax		£0.4m	£0.3m
Dividend		0.1p	0.1p
SECURITIES TRUST OF SCOTLAND		1977-78	1976-77
Sales		£1.2m	£1.1m
Profit before tax		£0.7m	£0.6m
Profit after tax		£0.5m	£0.4m
Dividend		0.1p	0.1p

Lonrho 8% up so far Norwest Holst reaps the benefits of reorganisation

chairman, told the annual meeting. He was confident that shareholders would be well pleased with the results for 1978. The Board intended to recommend a substantial increase in dividend as soon as it was permitted to do so.

Record £10.4m at H. Samuel

AS FORECAST in January taxable profit of H. Samuel, multiple retail jeweller, advanced from £9.02m to a record £10.4m in the January 31, 1978 year.

Turnover, including VAT, was up from £31.23m to £32.42m. At half-time profit was ahead £1.65m to £2.04m. The full year result is subject to tax of £1.8m (£3.72m). After extraordinary credits of £104,000 (£90,000) profit was £2.04m (£1.74m) or 8.2p (£7.38p) per 25p share.

Earnings per 25p share are shown at 34.7p (35.4p) and a second interim of 8.5p lifts the total from 7.5p to 16p. Directors say expansion continues both by additional branches and the extension of existing units. There has been an encouraging start to the current year.

A one-for-one scrip issue for "A" Ordinary shares is proposed. The company has close status.

Another major investment was £2.5m in new plant, the company wholly owned earth moving subsidiary, John Jones (Excavation). Basic earnings for the year are stated at 28.5p (17.9p) and fully diluted at 22.5p (14.7p) per 25p share. The final dividend is 4.67p gross for a 6.57p (£6.57p) total.

£0.6m jump at M & G Grp. so far

FROM TURNOVER £0.8m ahead of £1.2m taxable profit of M & G Group (Holdings), unit trust managers, jumped from £0.3m to £1.05m in the March 31, 1978, half year.

Directors say results take no account of the life assurance activities of the group, and that the profit reflects the heavy demand for units which became evident in the second half of last year, and which continues up to the present.

The result is subject to tax of 10.5p (£1.05m) and earnings per 5p share are shown at 6.76p (£0.676p). The net interim dividend is 1.57p to 1.51p. Last year's dividend of 1.51p was paid on 27 per cent up on the same taxable profits of £1.53m.

Sainsbury planning for more store openings

J. Sainsbury has a further 130,000 sq ft of sales area due to open in eight locations in the UK this year, compared with the 120,000 sq ft opened on seven sites last year.

Mr. John Sainsbury, the chairman, says in his annual statement that while the number of stores opened last year and due to open this year, compared with the 120,000 sq ft opened on seven sites last year, the forward programme shows a greater number of store openings in 1978-80.

Contracted and authorised capital spending for the current year is shown at £33m against £31m last year.

Mr. Sainsbury says the group last year increased its market share for the second consecutive year, with an increase from 6.9 per cent to 7.5 per cent in two years.

With its SavaCentre hypermarket joint venture with British Home Stores, 75,000 sq ft was opened in one store last year and another will be opened in Kent this year with 65,000 sq ft of sales area. A further 153,000 sq ft on two sites is planned for 1980 and 1981.

Coats Patons to spend more

THE J & P COATS division of the J & P Coats Ltd. is expected to spend more on capital expenditure in 1978 than in 1977, says the chairman, Mr. W. R. Henry, in his annual statement. The division's capital expenditure in 1977 was £14.1m, compared with £11.1m in 1976. This figure is regarded by Coats as a matter for satisfaction but not for euphoria. At 74p the yield is 4.8 per cent, with cover around twice the full current cost accounting base.

Rotax, which makes surgical instruments, made a valuable contribution to expanding the base of Needle Industries' surgical division, directors say in their report with accounts.

Overall authorised and committed capital spending for 1978 is shown in the accounts at £24.1m (£13.7m). As previously reported Mr. W. R. Henry, the chairman, says in his annual statement that the profits could be significantly lower than the record £83.3m achieved last year.

First quarter trading conditions last year were not good, with no immediate prospect of improvement. North American sewing margins remain poor, while Latin America, Asia and Australia are a more promising area, with African conditions remain difficult.

In the UK, yarn and fabric bookings are down but some improvement may be seen in the second half. General sales, with the exception of children's wear, are ahead of 1977. Meeting, Glasgow, June 23 at noon.


New lump sum investment plan

Royal Insurance and Britannia Building Society have combined to develop a new lump sum investment plan, taking advantage of life assurance tax relief. Called the "Bonds Investment Plan", it enables the investor, making a lump sum deposit with Britannia, which attracts interest at the ordinary share rate, at present 5.5 per cent. The capital is with Britannia, which has the rate of £1 per £100 of the initial investment to pay monthly premiums under a 10-year with-profits endowment assurance with Royal. Thus at the end of the 10 years the whole of the original capital has been paid over to the endowment policy and the investment in the building society consists of the interest accumulated on the outstanding sum in the account. At the end of 10 years, the investor would receive the interest in his building society account to which would be added a special bonus of £3 per £100 of the initial investment, plus the maturity value of the endowment assurance contract. In addition, the investor can claim the usual tax relief on the life assurance premium after April 6, 1968. Tax credit will accrue to his building society account.

Gateway bring out two new monthly bonds

Gateway, the UK's largest building society, has introduced two new income bonds. Interest on the bonds can be taken out for either two or three years, which at present is the same as the existing income bonds. The bonds are aimed at retired people and have regular coupon rates as electricity bills. Interest on the two-year guaranteed 4 per cent society's current investment rate, which at present is 4.5 per cent. Three-year bonds pay one per cent above investment share rate. The minimum investment has been set at £1,000 though additional sums of £500 or more (in multiples of £100) may be invested at any time. Withdrawals within the term and three-year periods are not allowed except on behalf of the deceased.

This announcement appears as a matter of record only



U.S. \$500,000,000
Medium-term loan to finance
BOC International Ltd's
100% ownership of
Airco, Inc.
provided by
Bank of America NT & SA
Bankers Trust Company
The Chase Manhattan Bank NA
Citibank NA
Midland Bank Limited
Morgan Guaranty Trust Company of New York
National Westminster Bank Group
Standard Chartered Bank Limited

May 1978

Edinburgh and General
After tax of £47,631 against £53,000, the Edinburgh and General Insurance Company reported a profit of £5,369 for the period from £90,000 to £121,441. £1,954 from sale of a subsidiary, a £15,000 provision for loss in value of investments and a £15,000 transfer from reserves to cover such provision. The company's current assets are £298,888 (£31,492). There is no dividend compared with 0.55p net last time.

BRAMALL HEADS FOR BUOYANT START
It became apparent last night that a considerable amount of interest was being focused in the market on the Bramall plating. Bramall, a Ford main dealer, has come to the market with a placing of 1.33m shares at 75p each. The jobbers have evidently had a large number of inquiries after stock, and it appears that the share is likely to develop a material premium when dealing starts next Monday.

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MONEY MARKET

Full credit supply

Bank of England Minimum Lending Rate 9 per cent (since May 12, 1978) were sufficiently attractive for the London money market was house to buy Treasury bills on night loans opened at 81-84 per cent yesterday. Doubts about the Treasury bill balances, substantial Government tallies of an abundant supply of tender on Friday and about the disturbance of the Treasury's short-term payments to the Exchequer and 10-12 per cent during the future interest rates were behind the market was also helped by a noon. Rates finished at about 81-84 per cent. The supply of day-to-day money Discount houses paid 7-81 per cent for secured call loans, with nominal in some cases.

	May 31 1978	Sterling interbank deposits	Local authority deposits	Local authority debentures	Finance bills	Company deposits	Discount	Treasury bills	Eligible bank bills	Placements
Overnight	81-84	7-12	8-10	8-10	8-10	8-10	7-8	8-10	8-10	8-10
One month	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10
Three months	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10
Six months	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10
One year	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10	8-10

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rate 11-12 per cent. Four years' fixed rate 12-15 per cent. Bank bill rates in table are for prime paper. (Source: Bank of England, Treasury, and other sources.)

Approximate weekly rates for one-month Treasury bills: 8-10 per cent; two-month 8-10 per cent; three-month 8-10 per cent; six-month 8-10 per cent; one-year 8-10 per cent.

Finance House Rate Rates (published by the Finance Houses Association) 8-10 per cent from June 1, 1978. Clearing Bank Discount House Rate Rates for lending 8-10 per cent. Treasury bills: Finance House Rate Rates of discount 8-10 per cent.

MINING NEWS

Australian Parliament passes uranium Bills

THE legislative framework for the development of Australia's uranium deposits moved into place yesterday when the Federal Parliament passed a series of six Bills defining the conditions for mining.

The Bills require only the formal consent of the Governor-General to become law.

They cover the protection of the immediate environment of the deposits likely to be developed, land rights for Aboriginal owners and the provision of nuclear safeguards for mining and export.

Mr. George Meyer, the general manager for uranium at the Northern Territory Department of Resources, commented that the legislation provided the guidelines the companies needed to go ahead with their initial development plans.

As such, the passage of the Bills denotes the closing phases of the long internal debate dating back to the days of the Whitlam Government. Uranium mining has been the subject of lengthy official inquiry and intense opposition from parts of the Australian trades union movement.

Since a Commission headed by Mr. Justice Fox endorsed in October 1976, a policy of the gradual development of Northern Territory uranium deposits subject to stringent conditions, the Australian Government has moved warily to achieve this object.

The passage of the bills, after six weeks of exchanges between the House of Representatives and the Senate, means that the light for uranium mining has changed from red to orange.

The fact that it has not changed immediately to green kept the immediate reaction on the markets at a low key. Pancontinental, which holds the biggest of the Northern Territory deposits at Jabiru, saw its shares gain 25p to £131. EZ Industries were unchanged at 205p, and so were Peko-Wallend, EZ's partner at Ranger, at 510p.

What is still required is legislation establishing a uranium marketing authority which will supervise export sales on the lines of the Canadian Atomic Energy Board and the completion of negotiations with Aboriginal landowners on royalty payments.

A further round of talks with the Northern Land Council, representing the Aboriginals, will start on June 12. The Council, in what is widely regarded as a negotiating ploy, has proposed a royalty of 35 per cent on gross profits. This has been bitterly opposed by the companies and does not appear to meet Government policy.

Australian reports have suggested that Mr. Doug Anthony, the Deputy Prime Minister, wants the Aboriginals to receive a royalty from Ranger set at 1.75 per cent over and above the 2.5 per cent to which they are entitled under Northern Land rights legislation.

The companies are anxious that the royalties issue should be resolved quickly so that construction on the mine sites may start during the current dry season, thus enhancing the chances of bringing Australian uranium to the international markets by the early 1980s.

Indonesia seeks investment

INDONESIA, ANXIOUS to encourage a recovery of mineral exploration activity, is considering a revision of the third generation mining contracts, writes David Housego from Jakarta.

In an interview here, Mr. Subroto, the newly appointed Minister for Energy and Mines in President Suharto's reshuffled Cabinet, said that the Government was studying how to improve the third generation contracts to make them more attractive to foreign investors.

Since the new regulations on mining came into force under a presidential decree in August 1976, Rio Tinto-Zinc is the only company to have signed a third generation contract. This was for the base metals exploration in North Sulawesi.

At the time the Government intended the agreement to serve as a model for future mining contracts. Before signing RTZ was able to secure a substantial modification on a key clause under which foreign exchange had to be retained by the Bank of Indonesia, the central bank, and contractors had to apply for permission to use it.

Mr. Subroto declined to say what further revisions he had in mind but said that he had a team within his department studying the question. He added that he was open to suggestions.

The main new feature on the third generation contract were: A 10 per cent export tax on unprocessed minerals; a windfall or excess profits tax of 60 per cent when profits exceeded 35 per cent of investment over a three-year period; and foreign companies must offer 51 per cent of their equity to Indonesians within 10 years.

Large bauxite project for Guinea

ALUSUISSE, the Swiss aluminium group, is studying the possibility of a \$1.3bn (£74.8m) project in

BIDS AND DEALS

Tilling woos Fluidrive with £5m share offer

Thomas Tilling is showing no sign of turning off the acquisition trail. Yesterday it announced its third significant UK bid for the past 12 months—a £5m surprise offer for Fluidrive, the Middlesex hydraulic coupling group.

Earlier this year Tilling successfully bid for William Lawrence, the furniture group, and Limer Concrete. At the same time it has been concentrating its acquisition policy in the U.S. where it has made four major acquisitions in the same period, the largest being the £25m purchase of the Yale locks and security side of the Eaton Corporation, a deal which is still in the process of completion.

Yesterday Tilling explained that Fluidrive would complement the group's existing interests in hydraulic couplings which centre on the Antwerp-based subsidiary, Hansen Transmissions. Hansen makes fixed speed products whereas Fluidrive specialises in variable speed machinery.

Terms of the offer are five shares of Tilling for every eight shares of Fluidrive. On the basis of yesterday's closing price of 170p for Tilling this values each Fluidrive share at 73p and represents an extra 1/6 of just under 7.

The board of Fluidrive said that it had only received the offer on Tuesday evening and was still considering it. Shareholders were advised to take no action until the board publishes its reaction.

The key to a successful takeover of Fluidrive must lie with the institutional shareholders. Some 27 per cent of the equity alone is held by five funds.

In the past full year Fluidrive's turnover was £3.25m and pre-tax profit amounted to £920,000. Interim figures to March reveal turnover of 14.6m and pre-tax profit slightly down on the comparable period to £94,000.

Consolidation of these figures within the Hansen group would provide a significant expansion of Tilling's hydraulic interests. Hansen made profits of £1.1m on turnover of £15.4m for 1977.

FIRST INTERIM AT PENGKALEN

Pengkalen, the London-based tin company with Malaysian mining interests, is maintaining its first interim dividend for 1977 at 1p. Its total payments for 1976-77 were 6.5p.

The directors stated yesterday that the rate of the first interim dividend carries no implication for the level of dividends later in the financial year.

With the output of tin concentrates down to 32.25 tonnes in the six months to March compared with 94.25 tonnes in the same period of the previous financial year, pre-tax profits for the half-year have been reduced to £56,000 from £138,000. The shares were unchanged yesterday at 62p.

Kellogg moves for full quote

Within two years Kellogg Holdings expects to regain a full quote for its shares, if its plans to take over Belgrave Assets are successful.

Kellogg, which is bidding for the other 50 per cent of Belgrave that it does not already own has sent out its offer document to shareholders. It says that the rather complex bid terms have the support of merchant bankers, Brown Shipley—called in to provide independent financial advice for Belgrave ordinary and loan stock holders.

The basic offer is 36 Kellogg ordinary shares plus 44 convertible variable rate unsecured loan stock plus £1.58 cash for every 200 Belgrave ordinary shares.

There is an alternative offer which includes the issue of redeemable cumulative preference shares and no cash element.

The shares of Kellogg, Belgrave and another subsidiary Lothian Investment were suspended at the beginning of this year after the status of the companies altered with the launch of Kellogg Factors, in which all three companies had a stake.

Since then the companies have been tidying up their relationship with Belgrave last year. This latest step will enable the enlarged group to be quoted on the Stock Exchange unlisted securities market under rule 163 (1). This should take place on July 31.

Terms of the merger have been based upon the net asset values of Belgrave and Kellogg. The cash element is being offered to compensate Belgrave holders, who accept the equity offer, for the reduction in income they are likely to suffer until Kellogg is in a position to increase its dividends.

The directors anticipate that further benefits will come from the recent systems review at Morris—Kellogg's subsidiary which distributes pet-food and horticultural products.

Factors is also expected to continue growing. The directors are exploring the possibilities of sales or sales and lease-backs of Morris' freehold and leasehold properties.

In the first four months of this year Factors have continued to increase its turnover which is substantially up on last year.

The abnormal winter adversely affected Morris' business but the directors expect that the outcome for the year will be satisfactory. Shareholders' meetings are called for July 3.

NEB now has 18.5% of BBK

The National Enterprise Board has now raised its holding in Brown Boveri Kent, the Swiss-controlled process equipment and instrument maker, from 17.6 per cent to 18.3 per cent. It was recently made known that the State-owned NEB wanted to lift its stake in the company to 20 per cent, the level which would allow it to bring an appropriate proportion of BBK's profits into its own accounts.

The NEB is also, as already foreshadowed, taking up its allotment of the rights issue of new shares at present being made by BBK. As a result of this, and of the recent purchase of 453,000 additional shares at an average price of 53.3p, the NEB has raised its holding of BBK shares by 2,284,734 to 10,058,672 (18.52 per cent). A NEB spokesman said last night: "We still want to raise our stake to 20 per cent but not beyond it."

The shares of BBK, 541 per cent of which are owned by Brown Boveri, of Switzerland, last night closed unchanged at 53p.

MOVE TO BUY OUT EDWORKS MINORITY

The minority shareholders of Edworks, the South African four-wheel group quoted in London, are to be offered 145 cents per share by the controlling Dudo family. The bid was foreshadowed two and a half weeks ago when the shares were suspended at 85 cents per share.

The Edworks Board forecasts earnings for the year ending in June of not more than 23 cents per share (10 cents per share). Existing shareholders will receive a 4 cents final dividend per share making a total for the year of 6 cents (4 cents).

Holders of £2 preference shares are being offered 132 cents for each 6 per cent preference share and 134 cents for each 7 per cent preference share.

Hill Samuel has been retained to act for outside shareholders.

ICFC BACKING FOR TOWER GROUP

Industrial and Commercial Finance Corporation has provided £400,000 to finance expansion within the Tower Group to meet demand for forklift components and mining equipment. The ICFC's 12-year term loan will be utilised to acquire £250,000 plant and

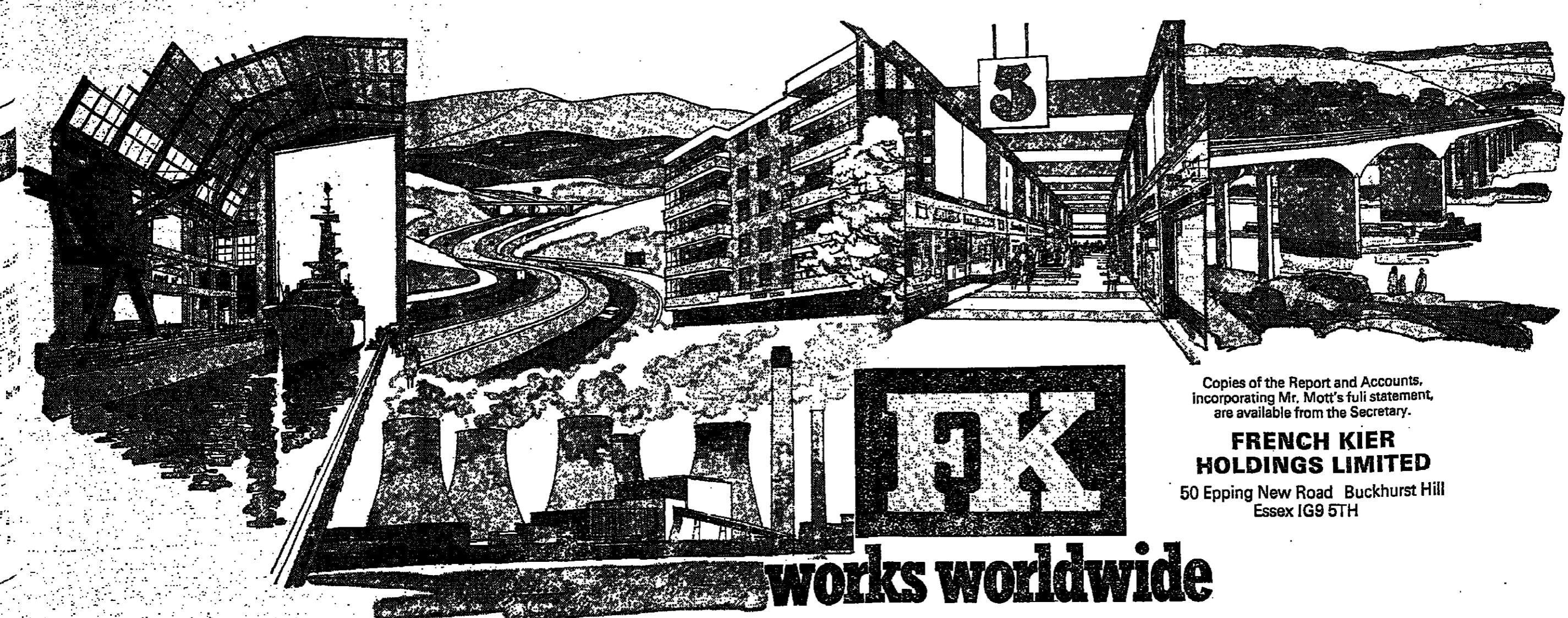
HILTONS FOOTWEAR

Hiltons Footwear has sold the freehold property at 93/95, High Street, Guildford, for £1,243,000. An extraordinary profit of approximately £950,000 before tax will arise from this transaction. Proceeds will be used to develop the company's business.

French Kier recovery confirmed

- * Group taxable profit almost doubled to £6,006,000. Earnings per share up from 1.6p to 6.3p after full tax charge. Dividend increased to 1.75p net from 0.5p net.
- * Increased profit contribution from construction companies at home and overseas.
- * Products and services companies maintained turnover. Further scope anticipated.
- * Improved results from property development and investment companies. Now entering more constructive phase.
- * Further reduction in borrowings and increase in cash balances. Convertible loan repaid to Department of Transport.
- * UK order book held steady. Overseas orders maintained despite increased competition.
- * Corporate structure reorganised. Wide range of technical skill, construction ability, manufacturing capability and property development expertise in the service of many communities.
- * 1978 taxable profits expected to be not less than 1977.

Highlights from the circulated statement of the Chairman, Mr. J. C. S. Mott, F.I.C.E., F.I.Struct.E.



Copies of the Report and Accounts, incorporating Mr. Mott's full statement, are available from the Secretary.

FRENCH KIER HOLDINGS LIMITED
50 Epping New Road, Buckhurst Hill
Essex IG9 5TH

works worldwide

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Fewer new chemicals projects

By Kevin Done, Chemicals Correspondent

THE U.S. chemicals industry has sharply reduced the number of major capital expenditure projects announced in the first quarter of the year.

According to a report from Salomon Brothers, the New York stockbrokers, far fewer new capital projects were sanctioned in the first three months of the year than in any quarter for at least five years. There was not one announcement of a large chemical plant costing more than \$25m from any of the top 40 U.S. chemical companies, from U.S. conglomerates with chemical interests or from foreign chemical companies operating in the U.S.

Only the oil companies were still active in launching major investments, including Shell which is building a new ethylene plant in Louisiana. Four large chemical plants were announced by oil companies, but even for this sector the number of new initiatives was sharply reduced.

Salomon Brothers forecast that capital spending on chemicals in the U.S. will be virtually flat in absolute dollar terms during 1978. Chemical capital expenditures in 1978 will total some \$8.5bn, consisting of \$5.5bn from chemical companies, \$1.5bn from oil companies, \$1.0bn from foreign companies and \$0.5bn from U.S. conglomerates.

Over the four years to 1978 the building of new plants will be excessive, outstripping the growth in demand for the products.

However, in the low level of new announcements continues, as is expected, new plants will only be adding 1.2 per cent a year to industry capacity in the early 1980s.

Labour cutback underlines problems at Jos. Schlitz

BY DAVID LASCELLES

JOS. SCHLITZ, one of the big five U.S. brewers, which is fighting a losing battle to keep its share of a fiercely competitive market, today announced from its Milwaukee headquarters that it would start laying off workers at its eight breweries over the next two or three weeks.

It gave no precise figures, but said the lay-off would affect "less than 3 per cent" of the work force, which numbers 7,150.

The announcement is the latest symptom recently displayed by Schlitz that all is not well with its operations. Only three years ago the company was in an undisputed number two position behind Anheuser-Busch in the 150m barrel a year U.S. beer industry.

Now, it lies a doubtful third

after Miller Brewing, which has made spectacular gains since it was taken over by Philip Morris in 1968. Schlitz's sales declined last year for the first time in a decade, and earnings of \$20m compared to 1973's record \$83.7m.

In retrospect, it is clear that one of Schlitz's big mistakes was its failure to perceive the rapid growth of so-called "light beer," a larger-like brew which has shown the fastest market gains in the last four years.

In the last 18 months, Schlitz has been grappling with mounting problems, including an ill-conceived advertising campaign

which tried to bully drinkers into buying Schlitz beers. It has also been charged with violating Federal Income Tax and Alcohol Laws, though it is contesting the indictment.

The company's uncertain position has given rise to a spate of takeover or merger reports. Earlier this month it confirmed that there had been talks with R. J. Reynolds, the tobacco company, about a possible merger, but with no substantive progress so far.

However, in an effort to get back on the road again, Schlitz has been overhauling its management, and last month it hired Mr. Allan Proudfoot, marketing head of Coca Cola, to head its own marketing division.

U.S. Steel in SEC inquiry

PITTSBURGH, May 31.

U.S. STEEL has disclosed that it is under investigation by the Securities and Exchange Commission (SEC) "to determine the adequacy under the securities laws of U.S. Steel's disclosures relating to environmental matters."

The steelmaker is discussing possible resolution of the matter through a SEC "administrative proceeding." The company said this could involve an "offer of settlement" by U.S. Steel, which might include commissioning of an independent study of environmental compliance costs and establishment by the company of procedures "to ensure the adequate disclosure of environmental matters."

The SEC investigation was initiated last year, and has involved subpoena of some company documents relating to environmental matters and testimony from several U.S. Steel employees.

The company disclosed the investigation in a Form 8-K amendment to its 1977 10-K annual report to the SEC. At the same time, the company amended other, non-environmental details of its business.

These changes offered additional information about the market distribution of the company's steel products, and more detailed summaries of recent market conditions affecting U.S. Steel's chemical, resource development and engineering subsidiaries.

A SEC official said U.S. Steel's business segment amendments were the result of a broad push by the agency to require expanded business segment reporting by large, diversified companies. He said these amendments had no relation to the SEC investigation of the company's environmental disclosure.

BP and Caltex in \$180m Singapore refinery plan

BY RAY DAFTER, ENERGY CORRESPONDENT

BRITISH PETROLEUM, Singapore Petroleum Company and the Caltex Petroleum Group are to join forces in a major Singapore refinery project costing over \$180m.

BP and Caltex are to take a stake in Singapore Petroleum's 70,000 barrels a day refinery at Pulau Merlu, Singapore, and become involved in a project to add a further 100,000 barrels a day of new capacity.

The proposals come at a time when there is serious refinery over-capacity in many parts of the world—particularly in Western Europe—and when Middle East oil producers are expanding their own refinery capacity.

BP, which could invest between \$30m (\$54.5m) and \$25m (\$45m) in the project, pointed out, however, that its involvement arose from the company's projected deficit of refined products in South East Asian and Australasian markets. The additional output could eventually replace existing capacity at BP's small 30,000 b/d refinery in Singapore.

The British company added that the Far Eastern market differed from Europe in that its refining capacity would be fully utilised by the 1980s. Europe's over-capacity was expected to remain for the foreseeable future.

The arrangements under discussion include the formation of a new processing refinery company by Singapore Petroleum SPC will hold 40 per cent of the issued capital stock with BP and Caltex holding the remaining 60 per cent in equal shares. Caltex is the refining and marketing interest of two major U.S. oil companies—Standard Oil of California and Texaco.

It is expected that the planned refinery expansion will be completed by late 1980.

Mr. Tan Boon Teik, chairman of SPC and chairman-designate of the new company, said that all the participants regarded the development as a significant step forward both for themselves and for Singapore.

SNC buys New York concern

BY ROBERT GIBBENS

THE SNC Group, Canada's second largest consulting, engineering and project management firm, has acquired Sincmaster and Bryer of New York through SNC Corporation, its U.S. holding company.

Last year, SNC acquired a major interest in Hensley-Schmidt, of the U.S., forming a joint company operating from Atlanta.

Sincmaster and Bryer offers specialised expertise in the metallurgical and chemical industries in the U.S. and overseas. It will continue under its present name and management.

Financial details were disclosed. Toronto real estate development company Olympia and York Developments, which recently moved into the New York market, plans to make a bid through the facilities of the Toronto and

shares of the Vancouver realty concern Block Bros. at C\$9 a share.

Olympia already owns 23 per cent of Block and about 15 per cent of outstanding stock is held by senior officers Arthur and Scotia. It will be used as a distribution centre for some Sears made for shares held by the public.

Vancouver stock exchanges for clearing centre.

By Our Own Correspondent

MONTREAL, May 31. CAMPEAU CORPORATION, the major Ontario and Quebec real estate developer, showed a first-quarter loss of C\$1.9m (U.S.\$1.7m) against a profit of C\$4.0m or 6 cents a share a year earlier. There was a cash flow deficit of C\$539,000 against C\$544,000 or 6 cents a share. The loss was attributed to slow housing markets in Montreal and Ottawa.

Simpsons-Sears, Canada's largest mail order organisation and also a major department store chain, has bought the former Electrohome home electronics plant at Stellarton, Nova Scotia. It will be used as a distribution centre for some Sears made for shares held by the public.

It will become also a catalogue clearing centre.

By Our Own Correspondent

MONTREAL, May 31. MONTENCO, Canada's largest engineering and project management group, earned C\$1.5m (U.S.\$1.35m) of 52 cents a share in the first half, against C\$1.2m or 41 cents a year earlier. Operating revenues were C\$24m (U.S.\$21m). The company has disposed of its shares in Banister Continental, the western pipeline group.

EUROBONDS

Strong demand for NatWest

By Francis Gihlis

THE MARKET was fairly active yesterday, with prices somewhat mixed. Some dealers are beginning to feel that short-term paper might move up a little, and report some investor demand. The floating rate note sector was very quiet.

The National Westminster issue was priced last night: the \$125m floating rate note tranche was increased by \$25m to \$150m as a result of very strong demand and priced at par. This is the largest floating rate note ever.

In the Deutsche Bank sector, prices moved up again yesterday, the recent Industrial Bank of Japan issue has seen its price move from 97.5 to 98.4 since the beginning of the week.

Massey-Ferguson lower

TORONTO, May 31.

IN LINE with predictions of hard times ahead for Massey-Ferguson which it reported a loss of some \$38m for the first quarter, the company has announced a second quarter loss of \$18.7m against the net profit of \$16.7m for the same period last year of \$2.1m. This was on sales ahead by 17 per cent at \$777m. The company reports its figures in U.S. dollars.

Looking ahead, Mr. Albert A. Thornborough, the company president, says that profitable operations are not expected to resume "until sometime in the fourth quarter." However, while the outlook for the remainder of 1978 is tempered by indications of softening markets for farm machinery in many parts of the world, as the second half progresses, programmes now undertaken "will progressively improve operating costs and the balance-sheet."

For the first half as a whole, this brings the company's net loss to \$55.5m against a net profit of \$8.2m or 1 cent a share for the same period of last year. Sales for the half are 14 per cent higher at \$1.31bn.

While the outlook for farm prices appears to "justify cautious optimism" for the rest of the year in North American farm machinery, industrial and construction machinery is expected to show little improvement over 1977.

Efforts to dispose of part or all of the construction machinery business continue.

Agencies



General Mining and Finance Corporation Limited

(Incorporated in the Republic of South Africa)

Chairman's Review—1977

The turnover of the Group, including associated companies, has been rising steadily, and for the year under review amounted to R2,044 million. The distribution of this amount is illustrated below.

UNION CORPORATION LIMITED

General Mining and Union Corporation, whose activities are complementary, continue to retain their separate identities and organisation structures.

FINANCIAL RESULTS

Group income before taxation increased from R106.8 million to R113.9 million and after taxation from R78.0 million to R86.3 million while income attributable to ordinary shareholders increased from R44.5 million to R43.3 million. Earnings per share rose accordingly by 25.3 per cent from 415 cents to 520 cents. The total dividend for the year increased by 7.1 per cent from 210 cents to 225 cents per share, the dividend cover being 2.3 as compared with 2.0 in the previous year. There was also an increase of 19.7 per cent in net asset value per share at the year-end from 4,583 cents to 5,482 cents.

During 1977, General Mining repaid R48.0 million of its own loan capital.

GROUP ACTIVITIES

The production of gold remains an important aspect of the Group's activities. The increase in the price of gold during the past year resulted in a significant improvement in the profitability of the gold mines. The demand for Kruger rands has increased and at present there is a considerable demand in Germany and the United States.

Production of uranium increased by 22 per cent during the year mainly as a result of higher production by West Rand Consolidated Mines Limited. Considerable progress has been made in negotiating sales contracts which were concluded at a time when prices, in terms of current levels, were very low. This process is continuing.

Labour supply, particularly during the second half of the year was satisfactory and it was possible to maintain production at a high level. The eleven shift fortnight, however, had an adverse effect on working costs as additional labour costs were incurred in order to maintain production.

It is expected that supply of Black labour will remain satisfactory in the immediate future. Considerable attention is being given to the training and stability of labour.

The present level of the gold price is encouraging and eases the problems of marginal mines.

A prospecting trench was excavated in the Lunzer Heinrich uranium deposit located near Swakopmund in South West Africa. The purpose of this trench is to provide further geological information on the nature and type of the deposit and to provide ore for a pilot plant which has been established at the Group Laboratories at Krugersdorp to determine the optimum design parameters for future recovery plant. Related marketing and financing investigations were also continued.

The Group's coal mining activities continued to expand, with sales from the Group's collieries increasing by 7 per cent over the previous year's performance to reach 27.8 million tons during the 1977 calendar year.

To provide replacement coalfields and sustain the desired rate of growth, regional prospecting of potential new coal areas, as well as detailed geological investigations of the coal reserves in the Highveld, continued unabated during the past year. An interesting discovery in the Northern Transvaal includes a coalfield containing a metallurgical low ash fraction and a power station manufacturing traction.

Various conditions in the markets for the minerals and metals produced by

the Group were experienced during the year. The asbestos market which had shown a strong growth trend became static towards the end of 1977. The markets for other minerals and metals were affected by the continued unfavourable economic conditions particularly in the case of products related to the steel industry. In general, however, the Group was able to maintain a satisfactory position.

The activities of the Group's industrial subsidiaries cover a wide field and are, therefore, affected by a variety of factors. In general, it has been found that the economic recession has placed the profit margins of all the companies under considerable pressure. The steel industry in particular was adversely affected in the export markets where the expected recovery of the national economies of the Group's important trading partners has not yet occurred.

PROSPECTS

The results for 1977 were better than could have been foreseen at this time last year. This was mainly due to a higher performance by industrial subsidiaries than was expected and a more stable and higher gold price.

As far as the gold mines are concerned, the trend of the gold price is, of course, the most important factor. In this connection, the foreseeable level of the gold price will depend largely on the extent of confidence in currencies and the international monetary system. The price could also be influenced by the decisions of the American government on programmes of sales of gold from their reserves. The indications of greater stability in the gold market referred to last year, materialised and it is particularly pleasing that the industrial demand for gold showed signs of permanent growth. The marketing by the industry of Kruger rands was also combined with particular success, and during the past few months approximately 30 per cent of the industry's total production was marketed in this manner. The gold price in the traditional markets remains to some extent sensitive to reduced supply. The gold mining industry must, therefore, actively pursue its attempts to create new demand for gold through the continuation of the promotion campaigns which have been successfully carried out in the past.

The increases in production costs in the gold mining industry continue to be

a matter of serious concern. During the past number of years increases, particularly in price-controlled costs such as electric power, railage and steel have caused unit production costs to escalate above the rate of inflation. In addition, wages in the industry have also risen much faster than productivity. In fact, productivity has shown a decrease in recent times. All these factors constitute a danger to the industry and it is necessary that the utmost discipline be exercised in this regard in order to retain the vitality of the industry.

The possible effect on the gold mining industry of a continued high rate of growth in production costs needs to be thoroughly considered by the State and all concerned. This includes all the resultant effects of a possible reduction in the number of mines which will be able to produce gold profitably in the future. Possible unemployment resulting from the closure of mines and the decrease in foreign exchange earnings are particularly important.

During the year a decision was taken to establish the uranium plant referred to last year, which will produce uranium from the accumulated slimes of the Buffelsfontein and Stilfontein gold mines. Satisfactory financing and marketing arrangements in this regard have been completed.

The Group's coal mining production is expected to remain static during 1978 except for Matla Colliery which will start producing on a small scale to build up the stockpile for Matla power station which comes on stream in April 1979. Ermelo Mines will expand to its full commitment of 3 million tons per annum of export steam coal during 1979.

The substantial reserves of Transvaal and Union Corporation place the Group in a sound position to meet the expected marketing opportunities in the domestic, power station and metallurgical markets, as well as in the export markets for which the further expansion of the Richards Bay Coal Terminal facility is a prerequisite.

Exploration and evaluation of the new metallurgical coal field as well as the new bituminous coal fields in the Northern Transvaal is continuing. Portions of the bituminous coal fields are uranium-bearing but the economic viability of this occurrence has yet to be established.

The world demand for other metals and minerals remains weak. A delayed weakening in the demand for asbestos also occurred as a result of the world-wide recession although an improvement in the medium term is expected. The demand for chrome ore is weaker and income from this source in the current year is expected to be lower. There continues to be much world-wide surplus capacity in the ferro-alloy industry, with low demand. This, of course, creates problems in respect of the new plant at Tubatse. Ferro-alloy where two of the three furnaces are now in operation. Technically, the plant is operating extremely satisfactorily but the financial results are unsatisfactory owing to the low level of turnover and, in particular, the fact that power costs at this plant are now R3 million per annum higher than expected when it was decided in 1974 to erect the plant.

Owing to the continued restriction of State expenditure and the low level of other capital expansion work, the prospects for a number of industrial subsidiaries remain unfavourable for the current year.

With a slightly better operating profit for General Mining itself, together with the expectation of a somewhat lower level of taxation in the Group as a whole, the results for 1978 should, however, once again be satisfactory.

W. J. DE VILLIERS, Chairman

2 May 1978

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Some people advertise in America as though it's 1848, not 1978.

In those days, small bands of settlers set out across the vast continent in covered wagons. But the bulk of the young nation's business was in a few Eastern states.

Advertise on that basis today, and you're apt to get scalped. Not by Indians. By your competition.

Some 90% or so of all Americans live west of the Hudson River. And American business is scattered from coast to coast. So when you advertise to American leadership, you'd better advertise where the leaders are to be found.

That's all across the U.S.A. Which leads you to The Wall Street Journal. America's national business daily. Reaching millions coast to coast. With the same news, on the same day. Advertise in The Wall Street Journal. Where prudent advertisers stake out their claim in the Western Hemisphere.

The Wall Street Journal. The all-America business daily.

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May 1978

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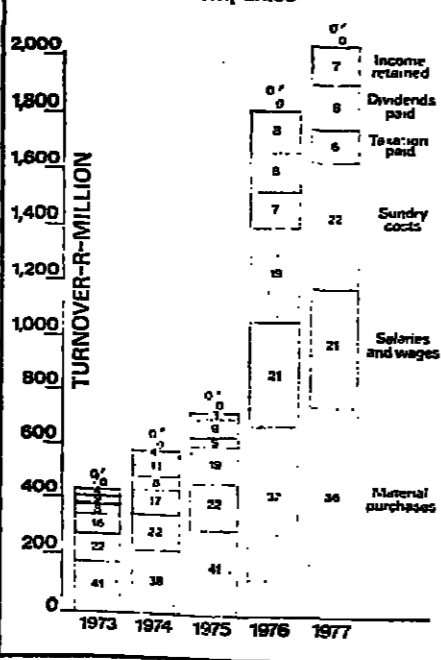
7 3/4 % US\$ 35,000,000.— Bonds of 1978/1985

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COMMERZBANK Aktiengesellschaft

Application of turnover of General Mining, Union Corporation Group and Associated Companies



INTERNATIONAL FINANCIAL AND COMPANY NEWS

JAL restores payment in spite of lower profits

BY CHARLES SMITH, FAR EAST EDITOR

TOKYO, May 31.

JAPAN AIR LINES has written off the last of a ¥17bn (\$77m) loss incurred in 1977 and restored its dividend after a three-year suspension, the airline announced today.

The company also announced after tax profits of ¥8.14bn for the fiscal year ending last March—a slight fall from the ¥11bn profit registered in the previous fiscal year.

JAL says it had to face a "major increase" in uncontrollable costs in 1977 resulting, among other things, from a 100 per cent increase in landing and navigation charges on its domestic Japanese flights. Domestic traffic, however, rose by 18.3 per cent, during the year (by 23 per cent in the first half of the year alone) while international traffic was up 12.5 per cent.

JAL's international cargo traffic also rose by 7.5 per cent, during the year but this appears to have been due solely to a rise in incoming freight (up 19 per cent). JAL gives no figures for

freight out of Japan but says that the "high yen" (the yen around 1988 at an annual cost of about \$400m. Decisions have yet to be taken on how to finance these purchases.

JAL has no comment to make on the profit outlook for 1978-79 but the airline faces the major task of absorbing the high cost of operating through Narita airport (the new Tokyo international airport). The higher landing charges at Narita could cost JAL an extra ¥100m during the coming year and will not initially be covered by revenue increases, since Narita flight frequencies are frozen at the same level as at the old Haneda international airport. JAL says it will have to "work hard" to cover the Narita costs but gives no indication of its precise strategy.

JAL plans to start a fortnightly service to Sao Paulo in June (its first service to Latin America). A service is also being introduced to Abu Dhabi and flights to Baghdad will begin later this year.

Two more shipbuilders add to the gloom

By Yoko Shibata

TOKYO, May 31.

TWO MORE of Japan's major shipbuilders report serious profit setbacks. Following yesterday's disclosures of hefty downturns at Ishikawajima-Harima Heavy Industries (IHI), Hitachi Shipbuilding and Engineering and Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI) and Kawasaki Steel (KSC) announce reduced earnings for the fiscal year to last March.

The current worldwide glut of vessels, coupled with weakening international competitiveness caused by the surging yen value led to a tapering-off of new ship orders and order backlogs held by all five shipbuilders. Sharp price-cutting competition in order-taking and declining operating rates (around 30 per cent of capacity) weakened profitability more than expected.

The largest heavy machinery manufacturer, Mitsubishi, whose shipbuilding accounted for 34.2 per cent of business, lifted current profits 28 per cent to ¥45.7bn but net profits fell 16.3 per cent to ¥15bn (\$67m) on sales of ¥138 trillion (\$62.3bn).

MHI's new ship orders, declined by 27 per cent and order backlogs were cut by 46 per cent from the previous year's level. As a result, MHI expects a deficit for the half time in the current six months of the fiscal year ending September.

Kawasaki Heavy Industries' brisk sales of plant machinery (up 34 per cent over fiscal 1976) did not help the group's earnings. The poor performance in shipbuilding reduced current profits by 53 per cent to ¥14bn and net profits by 26 per cent to ¥9.7bn (\$43m) on sales of ¥566bn (\$25.5bn), up negligibly by 5 per cent.

Even though KHI's setback in new ship orders was retained relatively small among other shipbuilders (down 8 per cent) and its order backlogs were, in sharp contrast, higher by 8 per cent, KHI expects a further profits decline for the current year due to shortage of profitable ship orders.

The fall in profits recorded yesterday by Ishikawajima-Harima Heavy Industries—recurring profits fell 33 per cent to ¥35bn and net profits by 51 per cent to ¥7.7bn on sales of ¥763.4bn, up 9.7 per cent—was particularly savage. Shipbuilding shrank to only 27 per cent of the company's business in fiscal 1977. New ship orders declined to one third of the previous year's level and order backlogs held by the company dropped by 38 per cent from the previous year.

Kawasaki Steel pays less after slide in earnings

BY OUR OWN CORRESPONDENT

TOKYO, May 31.

KAWASAKI STEEL, one of Japan's big five integrated steel producers, suffered a 90 per cent fall in profits for the half year ending March 1978 compared with the same period of the previous year.

Income before the inclusion of extraordinary items totalled ¥14.5bn (\$63m), down from ¥13.5bn in the six months ending March 1977. The 1978 profit figure included extraordinary losses without which Kawasaki would apparently have had to report a pre-tax loss.

Sales were down 11.1 per cent during the six months to ¥461.1bn from ¥516bn in the comparable period. Exports accounted for ¥158bn (34.3 per cent) against ¥184bn a year earlier. Net profits for the full year dropped by 13.2 per cent to ¥6.5bn (\$290m) on sales 5 per cent down to ¥935bn.

A breakdown of exports sales figures reveals, however, that Kawasaki's overseas earnings from engineering consultancy

services rose, while sales of actual steel declined. Service earnings amounted to ¥14.2bn in the six months to March 1978 compared with earnings of ¥3.6bn in the same six months of last year. Overseas know-how and consultancy sales are expected to represent a fast growing portion of Japanese steel company's export earnings during the next few years.

Kawasaki's crude steel production in the six months ending March was down 13.5 per cent as the company strove to reduce excess inventories. (For the full year, production was 8.7 per cent down at 12.2m tonnes on a year earlier.) Production cuts

increased the ratio of overhead and fixed costs to operating revenue and thus worsened the company's financial position during the six-month period.

Reflecting these and other factors, Kawasaki decided to cut its dividend from the traditional ¥5 per share to ¥3. The dividend

had been held at ¥5 every year since the early 1960s, with the exception of 1971 and 1972 when the Japanese steel industry was labouring under the impact of the first yen revaluation and domestic recession.

Although the half-year business term was a grim one for Kawasaki (and for other Japanese steel companies) prospects for the current term look distinctly better. Steel prices on the spot Japanese domestic market are moving steadily up and price increases held over from last year on contract supplies to

major domestic customers should be implemented soon. Steel prices in the U.S. (Japan's biggest overseas market) are also expected to turn up following moves by the Treasury Department to raise the trigger price.

Production appears to be moving slowly upwards in the integrated sector of the Japanese steel industry.

Government puts limit on Tisco dividend

By K. K. Sharma

NEW DELHI, May 31.

INDIA'S largest privately-owned steel plant, Tata Iron and Steel Company (TISCO), has been ordered by the Government to limit its dividend to just 12 per cent. The directive follows a decision to raise saleable steel prices by a hefty 50 per cent (\$20.7 a tonne on average).

The decision to raise prices has been taken by the Cabinet following a study of the steel industry, the bulk of which is in the public sector.

Jardine unit to expand UK insurance

By Anthony Rowley

HONG KONG, May 31.

LOMBARD INSURANCE, a wholly-owned subsidiary of Jardine, Matheson, the trading conglomerate, plans to extend its activities substantially in the London insurance market via its subsidiary Lombard Insurance Company (UK).

This was reported to Lombard shareholders by Mr. K. Newbigging, the chairman, in his annual report. Lombard Insurance (UK) formerly called Lombard Cross Insurance—had an issued capital increase (to £10m) last year and has been granted a Department of Trade licence to write all classes of general insurance. Previously it could only write marine and aviation and transport insurance.

Lombard has also set up a new underwriting agency in London—Dunedin Underwriting Agency—jointly with the National Insurance Company of New Zealand and has begun direct participation in C. T. Bowring underwriting services. "Other new underwriting activities, both international and in the UK are under consideration," Mr. Newbigging stated. Lombard as a whole made net profits of £133.1m (US\$236m) in 1977, against HK\$75m in 1976. The solvency margin reached 66 per cent, partly reflecting the capital increase in the UK subsidiary. Most countries and classes of insurance are now open to improved, including Australia, its biggest single market, although the marine hull account remains "a matter of serious concern."

Japan Line loss near \$100m.

BY OUR FINANCIAL STAFF

JAPAN LINE, the financially troubled tanker operator, has announced a ¥21.41bn (\$96.4m) loss for the financial year to March 31, compared with a net profit of ¥7.22bn in the previous year, and of ¥2.6bn in 1975-76. The company, which has been hit by the slump in the world shipping market, and had debts of some ¥180bn at end-September last year, has in recent months reached agreement with lenders to postpone repayment of about ¥30bn (\$130m) in loans during the current fiscal year, which started on April 1.

The first year's plan to reconstruct Japan Line's finances is understood, as reported last week, to involve measures including the selling of assets and securities, and the reduction of operating expenses through pay-roll economies and negotiations with labour unions.

It was announced on May 22 that management was planning changes associated with the plan to salvage the company's finances. Mr. Takeshi Kitagawa, vice-president of Toyo Soda Kogyo, and a former executive with the Industrial Bank of Japan—Japan Line's principal creditor—had been selected as president, in place of Mr. Hishashi Matsunaga, who was appointed chairman.

The company reported a net loss close to ¥3bn at the halfway stage.

THE Bank of Tokyo is asking the Finance Ministry to submit a Bill to parliament to double the amount of bonds it may issue, the bank said.

The bank is at present allowed to float bonds up to an amount of ¥1.34 trillion (million million), representing five times its capital plus reserves, but the

JAPANESE COMPANY RESULTS FOR YEAR TO MARCH 31

Company	Business	Net profit		Sales	
		1978 Ybn	1977 Ybn	1978 Ybn	1977 Ybn
Kawasaki Steel	Steel	4.81	7.75	935.05	982.88
Nippon Kokan	Steel	5.21	10.91	1,200.00	1,240.00
Kawasaki HI	Heavy industry, shipbuilding	9.68	13.00	567.07	539.91
Sumitomo HI	Heavy machinery, shipbuilding	2.87	4.78	276.66	250.25
Nissan Shatai	Vehicle assembly	4.23	4.87	218.46	203.12
Toyo Seikan	Metal products	4.09	6.70	231.15	202.43
Nissany Electric	Electrical	1.72	1.46	42.97	37.25
Takeda Chemical	Pharmaceuticals	7.22	7.45	335.09	303.58
Mitsui Toatsu	Chemicals	-4.38	-9.13	309.41	305.28
Sekisui Chemical	Chemicals	1.00	0.90	212.90	193.50
Mitsubishi Oil	Oil production	16.47	12.88	765.16	701.05
Nishin Flour Milling	Foods	5.00	2.20	222.60	218.90
Nagase & Co.	Commerce	2.20	1.90	309.50	302.50
Japan Airlines	Airlines	8.14	11.02	435.37	394.95
Japan Line	Shipping	-21.41	0.77	272.04	319.26

Canadian Imperial Bank of Commerce
and
Hambros Bank Limited
announce the establishment of

CIBC
LIMITED

International Investment Bankers

51 Bishopsgate, London EC2P 2AA
Telephone: 01-638 0701. Telex: 886337/8

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Telephone: (416) 862 4561. Telex: 065-24116

Managing Director
T. A. J. Boyce

Associate Directors
W. T. Hodgson, R. P. Mountford

Representative in Canada
C. G. Osler



Shareholders: Canadian Imperial Bank of Commerce (51%) and Hambros Limited (49%).

New investment guidelines likely

BY JAMES FORTH

SYDNEY, May 31.

THE AUSTRALIAN Government is considering an easing of its present foreign investment guidelines.

The treasurer, Mr. Howard, said that the relaxation would be designed to remove some of the disadvantages that might exist for companies in which there was some local shareholding.

"There is a view that some companies in which there is a majority of overseas shareholding as well as a not insignificant local shareholding are disadvantaged under the existing guidelines," Mr. Howard said.

The Government had developed some proposals which had been discussed with a representative group of companies and the matter was the subject of a Government consideration by the Government.

Mr. Howard said the purpose review and could be withdrawn

if it was felt that a genuine effort was not being made.

The proposal is being shared by the life offices and shareholders. The Treasury and the Foreign Investment Review Board are reportedly opposed to it as are several major Australian companies, including CSB, Broken Hill Pty. Co. Ltd. and Anglo-Persian Petroleum Co. Ltd.

It would lead to excessive overseas control of Australian resources and squeeze Australian companies out of the local capital market.

However, the proposed changes would apply to direct investment and joint venture agreements. The existing rules will still apply on company takeovers. If a company granted the conditional Australian status made a takeover bid, it would have to follow the rules of the Foreign Investment Review Board.

Minerals & chemicals keep CSR steady

BY OUR OWN CORRESPONDENT

SYDNEY, May 31.

CSR, the major sugar, mining, building products and pastoral production, dipped from A\$15.2m to A\$14m, the third successive decline since 1975.

Profit of the building and construction materials division fell from A\$13.5m to A\$11.5m, but the minerals and chemical division lifted earnings from A\$12m to A\$17.9m. The directors said that profits from coal were steady but all other major activities within the minerals and chemical division reported increases. Commenting on the result, the Board said that world sugar prices fell steeply, but that CSR was cushioned because a sub-A\$5.2m rebate on dividends

stalled proportion of raw sugar received.

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

Floating Rate Notes	Bid	Offer	SNCF 1988 5 1/2%	Bid	Offer
Bank of Tokyo 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
BPCE 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
BNP 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit National 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit Lyonnais 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit Parisien 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de France 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de l'Industrie 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de la Marine 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de l'Industrie 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de la Marine 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de l'Industrie 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de la Marine 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de l'Industrie 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de la Marine 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de l'Industrie 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
Crédit de la Marine 1984 8 1/4%	98 1/2	99 1/2	SNCF 1988 5 1/2%	98 1/2	99 1/2
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WALL STREET + OVERSEAS MARKETS FOREIGN EXCHANGES

Early rise despite adverse news Dollar very weak

BY OUR WALL STREET CORRESPONDENT

STRUGGLING ASIDE a report that inflation increased at a double digit annual rate in April, Wall Street moved steadily forward in active early trading today.

The Dow Jones Industrial Average was 6.84 higher at \$41.04 at 1 p.m. While the NYSE All-Share Index rose 32 cents to \$54.62 and gaining outpaced declines by a near closing prices and market reports were not available for this edition.

Two-to-one ratio. Trading volume was up sharply to 10.89m shares from yesterday's 10m figure of 10.72m.

The U.S. Labour Department said the Consumer Price index rose 0.9 per cent in April after a gain of 0.8 per cent in March, which put the increase for the last three months at a 10 per cent annual rate.

However, analysts said the pace of inflation was not as bad as the Copper Mine in Arizona and to buy a substantial stock interest in Hecla.

Bally lost 11 to \$32.1, although it said it has no reason to believe the U.S. Justice Department's preliminary investigation of the slot machine industry will amount to anything.

THE AMERICAN SE Market Value Index improved 0.40 to 144.88 at the noon calculation on volume of 1.65m shares (1.48m).

There was evidence of heavy institutional activity today, as blocks of 100,000 shares or more were traded in Bethlehem Steel, General Telephone and Utilities, and Southern California Edison.

Hecla Mining fell 11 to \$32.1, although it said it has no reason to believe the U.S. Justice Department's preliminary investigation of the slot machine industry will amount to anything.

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OTHER MARKETS

TOKYO—Stocks made a bright showing in active trading, helped by the lifting of 10 per cent cash requirements for margin trading on most shares.

The Nikkei-Dow Jones Average rose 31.26 to 3,468.77 and the Nikkei-SE index added 2.87 to 4,083.4, while volume expanded to 350m shares.

Despite the yen strength against the dollar in Tokyo, export orientated issues advanced, followed by Construction, Foods, and Pharmaceuticals.

Hitachi rose 10 to ¥148, TDK Electronic 10 to ¥170, Pioneer Electronic 10 to ¥170, Matsushita Electric 10 to ¥170, and Toyota Motor 10 to ¥170.

While Sekisui Pehab added 10 to ¥170, YSSR.

GERMANY—Further widespread gains occurred following good institutional buying, lifting the Commerbank index 3.4 more to 782.8.

Motors were particularly strong, Daimler-Benz 4.50 to 1,748, VW 4.50 to 1,748, and Volkswagen 4.50 to 1,748.

Karlshof rose 6 in 100 shares, while Steels had Mannesmann up 10 to 1,748 and Westfälische 10 to 1,748.

SIEMENS 2.50 to 1,748, Federal Government 6 per cent Loans were in good demand, while Public Authority Bonds, after recent gains, were up 10 to 1,748.

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NEW YORK, May 31.

while Bausch & Lomb, 38.55, CRA, 34.25, and Spangor Exploration, 38 cents, were each about 9 cents down.

Central Pacific Petroleum came back 80 cents to \$42.50 while the other Oil Share, Southern Pacific, receded 40 cents to \$42.70.

Uranium turned back from a strong start, Pancontinental ending unaltered at \$41.60, after touching \$41.5.

Industrials showed no clear trend, with BHP giving up 8 cents to \$47.00 but Costain Australia improving 10 cents to \$41.60.

CANADA—A further improvement in stock prices took place yesterday morning in active dealings, the Toronto Composite Index adding 2.7 to 1,125.9 at midday.

Gains advanced after 10.1 to 1,131.1, while Banks gained 0.55 to 27.63, Utilities 0.33 to 17.48 and Metals and Minerals 3.8 to 88.9.

Superior Erie were up 1 to \$34.00 on higher first-quarter earnings.

HONG KONG—Market continued in firm view in moderate trading, the Hang Seng index adding 3.26 more to a year's high of 472.37.

Among the leaders, Hutchison Whampoa put on 5 cents to HK\$12.50 and Bank of China 10 cents to HK\$7.90.

Hong Kong Bank, Sui Pacific and Wheelock Marden were unchanged, and Jardine Matheson advanced 10 cents to HK\$13.10.

Elsewhere, Hutchison Properties rose HK\$1.20 to HK\$10.50, City and United 4 cents to HK\$13.20, and Hong Kong Hotel 40 cents to HK\$13.20.

Kong Telephone 25 cents to HK\$13.20.

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Dollar very weak

The U.S. dollar continued to lose ground in the foreign exchange market yesterday, falling below SwFr 1.90 against the Swiss franc and allowing quite sharply in the afternoon in terms of the Japanese yen, German D-mark and sterling.

Disappointment at the U.S. trade deficit announced last week and concern about the rate of inflation has put increasing pressure on the dollar, but it appears that the dollar has not yet produced any intervention by central banks.

The dollar fell to SwFr 1.8885, before closing at SwFr 1.8930, and to £2.11 against the yen, before closing at £2.1040.

The dollar's trade-weighted depreciation, as calculated by Morgan Guaranty of New York, widened to 5.82 per cent from 5.11 per cent on Monday.

Sterling also benefited from the weakness of the dollar, rising to £1.8325-1.8335 at the close in London, a rise of 1.45 cents on the day. The pound opened at £1.8320, and touched a low of £1.8315 in the afternoon when the New York market opened.

and continued to rise after the London market closed at £1.8325. Sterling's trade-weighted index on Bank of England figures was unchanged throughout at 61.4.

A Gold remained firm, rising 8 1/2 to \$134-134 1/2. The weakness of the dollar was probably behind the demand for the metal, which

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FARMING AND RAW MATERIALS

Potato pest found in London

By Our Own Correspondent
A Colorado beetle, the first sighted in Britain this year, was captured and killed in London at the weekend, the Ministry of Agriculture reported yesterday.
The beetle was found in a load of fruit and vegetables bought at a market in the Strand, London. It was killed with a household insect spray to prevent it from spreading to other crops.
Ministry officials are trying to discover from which country the beetle came.
The insect, which severely reduces potato yields, has been found in a number of other countries in Europe and is a major pest of the vegetable crop.
Last year, the Dutch Government agreed to tighten its controls after a shipment of grain landed in Britain from Holland was found to be heavily infested with the beetle.

EEC lawsuit blocks weekly sugar tender

By Our Own Correspondent
A German complaint before the European Court of Justice has blocked the weekly Common Market sugar tendering system.
The complaint, made by a German sugar producer, says that the tendering system is discriminatory because it gives priority to certain countries.
The European Court of Justice is expected to rule on the case in the near future.
The tendering system, which has been in place since 1973, allows sugar producers to sell their sugar to the Community at a fixed price.
The German producer claims that this system is unfair because it does not allow for competition from other countries.

U.S. futures chairman to retire

WASHINGTON, May 31.
Mr. William T. Bagley, chairman of the Commodity Futures Trading Commission, will retire in three or four months, pending re-authorization of the Commission.
Two bills now before Congress would rescind his five-year tenure, and make the office of chairman subject to the discretion of the President.
The legislation is expected to be passed by the end of the year.
Mr. Bagley has served as chairman since 1975.

Surge on London coffee futures market continues

BY RICHARD MOONEY

A COFFEE futures "squeeze" boosted values on the London market yesterday, lifting nearby prices above \$2,000 a tonne at one stage. The May coffee position was traded at \$2,050 a tonne during the morning before slipping to expire at \$1,990 a tonne.
The strength of May futures was carried into the July position, which climbed to \$1,761 during the day and finished \$24.50 up on balance at \$1,733.5 a tonne.
July coffee has advanced nearly \$200 a tonne since the beginning of last week and stands at the highest level since late January.
At the start of business yesterday there were 1,100 uncovered lots of five tonnes each for delivery against the expiring May contract, a figure not ordinarily high.
Most of these lots were believed to be held by a single operator and the "bullish" effect on prices was enhanced by rumours that this operator was still buying May coffee during the day.
With physical coffee commanding a premium of more than \$100 over nearby futures dealers expected "long-term" buyers to delay their covering purchases, but most were surprised that the uncovered position had not been reduced to a more manageable level before yesterday.
Concern about the Brazilian weather continued to be an important background factor though most professional traders believed fears of a frost were "vastly overdone."
This year's first frost scare came on May 10, much earlier than usual, and though it was dismissed on 14th, it forced world prices up by more than \$100 a tonne. The result has been a very nervous market.
This nervousness was aggravated on May 22 when light frosts were reported in southern Brazil. Local coffee trade sources said these frosts had not touched the coffee trees, but the speculation nevertheless added to an even more cautious attitude.
The latest blow to confidence came last weekend when several cold fronts threatened southern Brazil. All veered away before doing any damage, but the scare helped to confirm the wintry mood of the world coffee market.
The traditional high-risk Brazilian frost period is not due until late July. Many traders believe a great fuss is being made about nothing. But it is understandable that traders should be cautious in the face of a serious setback through a prolonged drought which cut this year's expected crop by more than 2m bags (60 kilos each) to about 17m tonnes.
A frost now, say experts, could do untold damage to the drought-weakened trees, severely cutting next year's crop potential, although most of this year's crop has already been picked and is now safe.
Major damage to the Brazilian crop could set the world coffee market on an upward spiral even greater than that following the notorious 1975 frost. That disaster cut the Brazilian crop by more than three-quarters and forced world prices up by more than 1,000 per cent in the next two years.
Brazilian production is still recovering from this setback and another comparable frost could do permanent damage to world coffee supplies. World stocks will have to be considerably depleted after the 1975 frost to be of little or no use as a buffer against any new shortage.
On the other hand consumption has still not recovered from the unprecedented prices reached in the middle of last year and many dealers argue that current world prices are still far too high.
They point to recent estimates that world coffee demand is still some 10 per cent below pre-1975 levels as evidence that prices will have to be considerably higher than the world coffee market can get back on an even keel.
Reuters reports from San Jose that Costa Rica's 1977-78 coffee crop totalled 93,085 tonnes, according to Sr. Alvaro Jimenez, Coffee Office executive director.
Sr. Jimenez expressed concern about the amount of Costa Rican coffee being smuggled out of the country, mainly to Panama, because of the disparity between domestic and export prices.
Last December the Coffee Office estimated 1976-77 coffee output at 112,000 60 kilo bags.

World food price pact sought

BY LYNDON WATKINS

Halifax, Nova Scotia, May 31.
was particularly interested in an agreement. Mr. Bob Bergland, the U.S. Agriculture Secretary, was in favour, although the U.S. Government had yet to take a policy, said Mr. Whelan.
He would not be drawn on the extent to which the prices of grain, beef and dairy would rise if minimum selling levels were introduced. But he said "fairer prices" had been in effect last year. Canada's \$7bn primary agricultural industry would have benefited by another \$1bn.
The proposed pricing agreement will almost certainly be announced in the near future, Mr. Whelan said. Mr. John Silkin, the British Agriculture Minister, is in Ottawa this week during his visit to Canada.
CANADA and three other major food exporting countries will discuss the creation of an international pricing agreement for agricultural products.
Mr. Eugene Whelan, Federal Agriculture Minister, told a food industry conference here he had a favourable response to the idea in preliminary contacts with the agriculture ministers of the U.S., Australia and the Argentine.
They were interested in setting minimum world selling prices for grains, beef and dairy products. The matter would be discussed in detail when they met in Mexico City on June 12 to 14 for the World Food Council meeting sponsored by the U.N. Food and Agriculture Organisation.
Mr. Whelan said it was not Canada's intention to exploit foreign consumers by subjecting its exports of wheat, meat and dairy products to exorbitant price increases.
We are only interested in getting security and a decent profit for our products and to see that no-one benefits or sacrifices at another's expense. We are not looking for an increase of 400 per cent or more, which OPEC subjected the world to. But we mean to get a fairer deal than we are receiving at the present time.
Similar attempts to get a producer national pricing agreement at an FAO meeting in the Philippines three or four years ago failed.
World food prices were higher than in relative terms and there was little interest among the major food producers to restrict their output.
Mr. Whelan said it was not Canada's intention to exploit foreign consumers by subjecting its exports of wheat, meat and dairy products to exorbitant price increases.

Fear of cut in supply lifts copper

By John Edwards, Commodities Editor

FEARS OF cuts in copper deliveries from Peru and Zaire, pushed copper prices to new highs for the year on the London Metal Exchange yesterday.
Cash wirebars closed \$10.5 up at \$778.5 a tonne and three months wirebars traded at \$804 before profit-taking trimmed the closing price to \$798.75.
Unconfirmed market rumours were that Zaire would declare a 70 per cent force majeure on its contracted shipments. Earlier it had been claimed that only slight damage had been caused to the Kolwezi mines.
Meanwhile Reuters reported from New York that Milner Peru had cut the amount of copper cathodes available in June, although it might ship blister copper instead.
Three more U.S. copper producers - Phelps Dodge, Anaconda and Kennecott - announced increases in their domestic selling prices from 64 cents to 67 cents a pound. Other U.S. producers made similar increases last week.
Anaconda said it was studying new pricing methods to refer to the move by Kennecott to abandon the producer price system and base its prices on the New York copper market spot quotation.
Silver and free market platinum prices rose to new peaks. The bullion market quotation for silver at the morning fixing was 4.55p higher at 299.75p an ounce. Values eased in the afternoon and the spot prices on the London Metal Exchange closed 1.35p up at 297.9p. Free market platinum rose by £1.4 to £138.9 an ounce.

Exports restrained to supply home market

BY DAVID SATTIN IN MOSCOW

THE GIANT bins of the Irkutsk fur stock house hold pelts from all over Siberia - the skins of foxes, mink, otters, wild dogs, muskrat, sable and squirrels. Irkutsk is the largest of the dozen fur sorting bases in the country which service the world's biggest fur exporting business. It is supplied by 5,000-odd hunters and scattered fur farms in the Siberian region.
The sorting bases evaluate and classify the Soviet fur output. The Irkutsk base is unusual not only for the volume of furs it handles but because 70 per cent of the pelts processed there are "wild" furs delivered by hunters. They include such exotic furs as Siberian polecat, Lynx and the beautiful Kamchatka fire fox.
Wild furs were the basis of the Russian fur trade before the 1970-50 five-year plan which after the Second World War, but they represent only about 20 per cent of total Soviet exports today and their volume share of both exports and production is expected to decrease. The shift to fur farming has affected exports. At present only 20 per cent of Soviet fur exports are wild furs, with the increase in fur farming, where plantations of the Irkutsk base may become rarer and more costly. The most important wild furs for export processed at Irkutsk include white polar fox, which is found by hunters in the tundra north of Yakutia near the Arctic Circle, red fox and the prized barchin sable, which sells for up to \$300 a skin at the famous Leningrad auctions. Elgish pelts are needed for a full-length coat.
The demand for furs did not abate, however, and to satisfy the export market and the vast internal Soviet demand, the fur industry was completely restructured. The answer to the decline of the hunter was the development of fur farming.
The increase in breeding fur farms was dramatic. Before 1960 and 1975 the number of fur farms was 100, for example, increased from 250,000 to 10m. There are now 120 state fur farms in the Soviet Union and 80 co-operative farms. In 1976 200 per cent of Soviet fur output for export was produced on breeding farms.
Soviet fur output is to increase 15 per cent to 70 per cent during the 1978-80 five-year plan with almost all the modest increase coming from fur farming. The shift to fur farming has affected exports. At present only 20 per cent of Soviet fur exports are wild furs, with the increase in fur farming, where plantations of the Irkutsk base may become rarer and more costly. The most important wild furs for export processed at Irkutsk include white polar fox, which is found by hunters in the tundra north of Yakutia near the Arctic Circle, red fox and the prized barchin sable, which sells for up to \$300 a skin at the famous Leningrad auctions. Elgish pelts are needed for a full-length coat.
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Cocoa export quotas study

ABIDJAN, May 31.

A special committee of the Cocoa Producers' Alliance is considering a system of stocks and export quotas to help boost world prices, it was reported here.
Provisional ideas on export export quotas include Brazil 100,000 tonnes, Cameroon 100,000, Ivory Coast 250,000, Ecuador 70,000, Ghana 320,000, Nigeria 160,000 and Togo 15,000. The special committee is continuing its review of the 1975 World Cocoa Agreement, and hopes to suggest ways to overcome clauses which producers feel have a negative effect on prices.
Reuters

Bigger world wheat crop forecast

ROME, May 31.

WORLD WHEAT production this year is tentatively estimated by the Food and Agriculture Organisation at 405m tonnes, 5 per cent below last year, but 1 per cent below trends in the past 17 years.
An FAO report says larger wheat and coarse grain crops are forecast for all regions except North America, where plantings were reduced in the U.S. and in Latin America, where drought has affected the Brazilian maize crop.
It expects world grain imports to rise 3 per cent in the 1977-78 season to 142m tonnes, with wheat imports reaching a record 89m tonnes, 15 per cent more than last season.
But in 1978-79 wheat imports could fall to 64m tonnes and coarse grain imports to 71m. The fall in wheat imports would be due to a recovery in crops after setbacks last year in a number of areas, including the Soviet Union and China.
Early prospects for wheat and coarse grain crops this year are mostly favourable, the report says, although widespread delays in spring sowing are causing concern.
Production prospects could still deteriorate as the season advances, but the large carryover stocks should provide a buffer if this happens.
Reuters

Chinese deal for Argentina

PEKING, May 31.

Chinese Foreign Trade Minister. The sources said Argentina would sell wheat and maize for a combined total of between 800,000 and 1m tonnes each year from 1978 to 1981. China would also buy 25,000 tonnes of raw cotton a year during the same period.
Reuters

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

Commodity	Unit	Price	Change
Copper	lb	778.5	+10.5
Aluminum	lb	1.12	+0.01
Zinc	lb	1.12	+0.01
Nickel	lb	1.12	+0.01
Lead	lb	1.12	+0.01
锡	lb	1.12	+0.01

EUROPEAN OPTIONS EXCHANGE

Option	Price	Close	Vol.	Close	Vol.	Close	Vol.	Close	Vol.
ATY	555	512	1	512	1	512	1	512	1
ATY	555	512	1	512	1	512	1	512	1
ATY	555	512	1	512	1	512	1	512	1
ATY	555	512	1	512	1	512	1	512	1
ATY	555	512	1	512	1	512	1	512	1

ART GALLERIES

Gallery	Address	Phone
AGNEW GALLERY	42, Old Bond St., W.1	01-583 1234
BROWN & BAKER	10, Old Bond St., W.1	01-583 1234
DAVIES & NEAVE	10, Old Bond St., W.1	01-583 1234
FRANK AUSTIN	10, Old Bond St., W.1	01-583 1234
GUTHRIE	10, Old Bond St., W.1	01-583 1234

CLASSIFIED ADVERTISEMENT RATES

Category	Single column	Double column
Commercial and Industrial Property	4.50	14.00
Residential Property	2.00	8.00
Business & Investment Opportunities	4.50	14.00
Corporation Loans, Production Capacity, Businesses for Sale/Wanted	5.25	16.00
Education, Motors, Contracts & Tenders, Personal, Gardening	4.25	13.00
Hotels and Travel	4.25	13.00
Book Publishers	4.25	13.00

STOCK EXCHANGE REPORT

Industrial leaders respond to modest buying interest
Share index up 6.3 at 478.8—Golds improve afresh

Account Dealing Dates
Option
First Declared Last Account
Dealing Date Dealings Day
May 15 May 25 May 26 Jun. 7
May 15 May 25 May 26 Jun. 20
May 15 May 25 May 26 Jun. 20
May 15 May 25 May 26 Jun. 20

"New time" dealings may take place from 9.30 a.m. two business days earlier.
British Funds and the Industrial leaders took a turn for the better after the recent spell of subdued trading. Reasons for the change in sentiment were difficult to find, but a small demand for leading shares found the market short of stock. Final gains, which ranged to 5 and sometimes more, were out of proportion to the amount of business transacted. The late tone in equities was helped by better-than-expected annual results from Reed International, up 6 at 125p, and the FT 30-share index closed at the day's best with a rise of 6.3 at 478.8.

The absence of any further selling was the main factor behind a small improvement in short-dated gilt-edged and, with the longer maturities rising in sympathy, the Government Securities index picked up from the previous day's 1978 low to close 0.21 higher at 70.15.

Elsewhere, take-over speculation revived, particularly in secondary equities. Following the surprise bid from Thomas Tilling for Fluidrive which topped at 74p, Companies' market trading statements also helped to create a little interest. Conditions overall, however, remained quiet as reflected in the further fall in official bargains to 0.34p compared with 4.53p on Tuesday.

Gold mining shares continued to make headway in the wake of a fresh rise in the price of bullion and the Gold Mines index improved 2.5 more to 156.1.

Gilts better
Still overshadowed by monetary worries, conditions in the gilt-edged sector remained extremely thin and sensitive. Nevertheless, scattered demand and the absence of any further selling prompted a revival in the short end. In this sector, Exchequer 91 per cent "A" recovering that amount to 100, interest in the longer maturities remained at low levels, but prices again moved in sympathy with the shorts and final quotations recorded rises extending to 1. Corporations were quiet and rarely altered.

In complete contrast to the previous day's paucity of business, dealings in London Traded Options yesterday were the second heaviest since the start of trade on April 21. 906 contracts were done compared with Tuesday's 349 and the total was only short of the highest achieved on May 3. Courtaulds with 198 contracts were the day's most active stock, while ICI totalled 180 and Cons. Gold 100.

In line with sterling and Wall Street influences, the investment currency premium opened at around 108 per cent then drifted lower on evenly matched two-way trading to close the day a net 11 per cent down at 108.7 per cent. Yesterday's conversion factor was 0.0878 (0.08947).

Insurances better
Recent dullness in Insurance Brokers caused by Alexander Howden's surprise £28m fund-raising call gave way to firmer conditions yesterday. A modest demand in a market short of stock prompted some sharp gains and, although closing levels were below the previous day's, the market still achieved a gain of 12 at 336p, and C. & H. Heath finished 10 higher at 373p. Howden moved up 4 to 100p, while the new all-paid shares added 5 at 14p premium. Misset rose 7 to 195p as did Willis Faber, 200p. Composites moved in a similar direction with Royals 7 higher at 360p, Sun Alliance 6 to the good at 234p and General Accident 5 harder at 215p.

The major clearing banks made progress in thin trading. Following the announcement that the group is to increase its personal and other loan interest rates, Midland closed 5 dearer at 385p, while Barclays firmed a like amount to 335p. Lloyds gained 6 to 282p and NatWest 7 to 23p.

News of improved production in Lurgi helped Breweries into slightly higher ground. Elsewhere, Invergordon hardened 2 to 101p on the increased earnings. Moderate demand developed for Building issues, but gains were usually restricted to a few pence. Heywood Williams advanced 6 to 110p, reflecting the approval of the company's purchase of Interstate United of Chicago, while small demand lifted Blackstock Johnson 4 to 170p. French Kler improved 2 to 81p after the chairman's confident remarks about profits and Newport Hotel firmed 2 to 98p on the annual results.

Marley however, were lowered a penny to 70p following profits below market expectations. A. Monk added 4 to 98p on renewed speculative interest and Milbury firmed a couple of pence to 112p. Buyers came in for a rise of 5 to 71p and for J.B. Holdings, 3 to the good at 72p.

ICI improved 5 to 392p on small buying in early dealings and similarly, Fisons added a like amount to 361p. Elsewhere in Chemicals, Brent, 186p, and the new shares, 167p both closed 5 higher after renewed investment interest.

GEC good
GEC came to the fore in Electricals, improving 8 to 264p despite reports of unwanted competition from the National Enterprise Board in the semi-conductor industry. Higher interim figures lifted Dabulder a penny to 191p. Home Charm continued firmly in Stores, rising 6 to 172p for the first day since 14. H. Samuel responded to increased earnings and the scrip issue proposal with

a rise of 3 to 273p. Shoes were noteworthy for strength in Strong and Fisher, 4 up at 60p, and K. 3 to the good at 187p peak of 72p. Early interest in secondary Engineering was evidenced considerably by the surprise announcement of a bid for Fluidrive from Thomas Tilling, the former immediately jumped 19 to 74p, thus matching Tilling's share exchange terms, while other old bid favourites in the sector

sharply forward to touch 131p on the much better-than-expected showing before closing 6 up on the day at 120p. Other miscellaneous industrial leaders met with an early modest investment interest which was enough to leave improvements of up to 7 by the close. Bescam ended that much dearer at 662p, while Boots, 193p, Glaxo, 590p and Pilkington, 483p, all closed 5 higher. Elsewhere, Mitchell Cotts Transport edged

forward a penny to 53p in response to bid terms from its parent Mitchell Cotts Group, a fraction easier at 42p. Renewed speculative support lifted Sharma (Wallend) 4 to 130p. A dull market of late after the abortive bid discussions, Castings revived on hopes that a new suit will appear and closed 4 dearer at 40p. Hill and Smith gained a similar amount, to 66p, as did Delson, 32p, the latter still benefiting from recent investment comment. A combination of revived speculative and investment demand helped John Brown to advance 6 to a 1978 peak of 376p. Tubes gained 8 to 362p and OGN rose to a 1978 peak of 47p on the satisfactory interim figures. Other firm spots included J. Lyons, 2 up at 95p, and W. J. Pyke, 3 better at 33p.

Food and closed firmly. J. Sainsbury were supported at 188p, up 5, while Fitch Lovell hardened 3 to 65p and Associated Dairies 9 to 226p. Car's rising rose to a 1978 peak of 47p on the satisfactory interim figures. Other firm spots included J. Lyons, 2 up at 95p, and W. J. Pyke, 3 better at 33p.

Reed Int. please
Having moved nervously between extremes of 124p and 120p in front of the preliminary results, Reed International moved

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FINANCIAL TIMES STOCK INDICES									
	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23
Government Secs	70.15	69.92	70.10	70.47	70.42	70.19	69.97	70.15	70.15
Fixed Int.	71.77	71.76	71.99	72.10	71.99	71.97	71.97	71.97	71.97
Industrial Ordinary	478.8	478.5	476.1	477.5	474.0	470.0	468.0	470.0	470.0
Gold Mines	156.1	155.7	155.4	155.9	155.8	155.1	154.2	154.2	154.2
Div. Div. Yield	5.52	5.59	5.55	5.58	5.56	5.55	5.55	5.55	5.55
Earnings Yld (1977)	16.40	16.50	16.52	16.70	16.82	16.98	16.98	16.98	16.98
P/B Ratio (1977)	8.18	8.10	8.13	7.99	7.93	7.88	7.88	7.88	7.88
Debt to Equity	4.348	4.575	4.588	4.479	4.657	4.983	4.983	4.983	4.983
Equity turnover (1977)	49.53	48.09	48.09	48.36	48.36	48.36	48.36	48.36	48.36
Equity margins (1977)	12.297	12.948	12.948	12.948	12.948	12.948	12.948	12.948	12.948
10 am 474.7, 11 am 474.8, Noon 474.8, 1 pm 474.8, 2 pm 474.8, 3 pm 474.8, 4 pm 474.8, 5 pm 474.8									

HIGHS AND LOWS									
	High	Low	High	Low	High	Low	High	Low	High
Govt. Secs	72.58	(69.92)	127.5	49.18	127.5	49.18	127.5	49.18	127.5
Fixed Int.	81.27	(71.74)	154.5	80.53	154.5	80.53	154.5	80.53	154.5
Ind. Ord.	487.5	(478.8)	154.5	80.53	154.5	80.53	154.5	80.53	154.5
Gold Mines	168.6	(156.1)	154.5	80.53	154.5	80.53	154.5	80.53	154.5

ACTIVE STOCKS									
Stock	Denomina- tion	No. of contracts	Closing price (p)	Change on day	1978 high	1978 low	1977 high	1977 low	1977 open
ICI	£1	12	392	+5	395	385	395	385	395
Reed Int.	£1	12	878	+5	882	870	882	870	882
Howden (A.)	Nil/pd.	11	14pm	+5	14pm	14pm	14pm	14pm	14pm
Shell Transport	25p	10	201	+3	206	207	206	207	206
BATs Del.	25p	8	193	+5	231	184	231	184	231
GEC	25p	8	264	+5	278	235	278	235	278
Courtaulds	25p	7	123	+3	131	108	131	108	131
Distillers	50p	7	181	+3	187	185	187	185	187
Dobson P.	Nil/pd.	7	28pm	+2	28pm	28pm	28pm	28pm	28pm
Parings Mining	5p	7	38	+5	38	32	38	32	38
Commercial Ind.	25p	6	150	+4	159	136	159	136	159
Harrisons Malay	10p	6	89	+1	105	65	105	65	105
Reed Ind.	£1	6	123	+6	143	102	143	102	143

OPTIONS									
First	Last	For	Settle- ment	1978 high	1978 low	1977 high	1977 low	1977 open	1977 close
May 23 Jun. 16	Aug. 30	Aug. 30	Aug. 30	231	184	231	184	231	184
May 23 Jun. 16	Aug. 30	Aug. 30	Aug. 30	231	184	231	184	231	184
May 23 Jun. 16	Aug. 30	Aug. 30	Aug. 30	231	184	231	184	231	184
May 23 Jun. 16	Aug. 30	Aug. 30	Aug. 30	231	184	231	184	231	184

NEW HIGHS AND LOWS FOR 1978									
Stock	High	Low	High	Low	High	Low	High	Low	High
GOVERNMENT SEC.	72.58	(69.92)	127.5	49.18	127.5	49.18	127.5	49.18	127.5
FIXED INT.	81.27	(71.74)	154.5	80.53	154.5	80.53	154.5	80.53	154.5
IND. ORD.	487.5	(478.8)	154.5	80.53	154.5	80.53	154.5	80.53	154.5
GOLD MINES	168.6	(156.1)	154.5	80.53	154.5	80.53	154.5	80.53	154.5

APPOINTMENTS

Electrolux chairman change

Sir Alex Page, a director of ELECTROLUX since last November, has become chairman in succession to Lord Lake, who has been elected life president. Sir Alex is chairman of Metal Box.

Mr. R. G. Bayham has resigned from the Board of SLIMING GROUP HOLDINGS and its subsidiaries.

Mr. Ronald G. Hooker, who became a director of DUBILIER in 1976, has been appointed to the non-executive post of deputy chairman.

Mr. M. J. Pyle has been appointed a director of M. W. MARSHALL INVESTMENTS.

Lord Sackville has retired as a director of MINSTER ASSETS.

Mr. R. A. P. Jackson has been appointed to the Board of C. G. PAXTON, a member of the McKeechie Group.

Mr. A. J. O. Ritchie has been appointed a director of GRINDLAYS HOLDINGS. He joined the Board in March last year and at the same time was made a director and deputy chairman of Grindlays Bank. Mr. Ritchie is also chairman of Union Discount Company of London and a member of the Export Credits Advisory Council.

Mr. Gordon Brunton has become non-executive chairman of BEIMORE CORPORATION in place of Sir Max Beimore, who has retired from that position, but remains on the Board as a non-executive director. Mr. Brunton is also managing director and chief executive of the Thomson Organisation.

Mr. W. F. Younger has been appointed chairman of HAY-MIL in place of Lord Mais, who has retired from that position but remains on the Board.

his retirement from active service. Mr. Alan Whittaker has been made finance director in place of Mr. H. S. Stafford, who remains on the Board.

Mr. Anthony Hayward has been appointed chairman of FAIRY MARINE HOLDINGS and chairman of a director of Fairy Marine, at Hamble, Fairy Marine (East Coast), Fairy Exhibitions, and Fairy Yacht Harbours. Mr. Howard Atkins has become financial director of Fairy Marine Holdings and Fairy Marine at Hamble. Mr. Jim Caldwell has joined Fairy Marine as marketing manager and will be responsible for the sales and marketing of the two boatbuilding companies.

Mr. Geoffrey J. Chibbett, group finance director of DOBSON PARK INDUSTRIES, has taken up other responsibilities within the group as a divisional chairman. Mr. Graham H. Edwards has become group finance director (designate). Mr. Edwards was previously with Linred.

Mr. John B. Hodges, underwriter of CAMOMILE UNDERWRITING AGENCIES, has been appointed a director. The company is a member of the Matthews Wriglesworth Group.

Mr. David Sinker, deputy managing director and financial director, has taken over as managing director of HUNTING SURVEYS AND CONSULTANTS on the retirement of Mr. F. D. Weatherhead.

Mr. G. D. Wragg has relinquished his position as finance director of FIRTH BROWN to concentrate on divisional activities. Mr. M. A. Brand has been appointed finance director and secretary.

Mr. P. M. Runcie, Mr. J. Grant and Mr. D. J. Herod have been appointed to the Board of SCHLESINGER.

Mr. John H. Goodier has been

appointed managing director of DOWTY BOULTON PAUL. He joined this company in 1973 as deputy managing director.

Mr. M. F. Fetherston, of Thomas Meadows and Co., has joined the SIMPLIFICATION OF INTERNATIONAL TRADE PROCEDURES BOARD.

The Secretary of State for Trade has appointed Sir Kenneth Selby to be chairman of the AIR TRAVEL RESERVE FUND AGENCY for a further period of two years. Sir Kenneth is chairman and managing director of the Bath and Portland Group.

Mr. Hamish M. Buchanan has become New York agent of BANK OF NEW ZEALAND and Mr. David P. O'Connell has become deputy agent, New York. Mr. Buchanan was manager in London for six years.

Mr. G. G. Tidman has been appointed production director of WOOD BASTOW AND CO.

Sir Rex Richards, vice-chancellor of Oxford University and Warden of St Peter's College, Oxford, has been appointed to the Boards of IBM UNITED KINGDOM HOLDINGS and IBM UNITED KINGDOM.

Mr. Michael Jefferson, previously sales manager for Midlands and Wales areas of GASKELL AND CHAMBERS, has been appointed sales director. The company is a member of the MK Refrigeration Group.

Mr. Richard Caldwell has become secretary of the ELECTRICITY CONSUMERS' COUNCIL in place of Mr. Peter Holmes who has been acting secretary. Mr. Caldwell was previously with CEGE.

LONDON TRADED OPTIONS

	July			October			January			
Option	Ex-ercise price	Closing offer	Vol.	Ex-ercise offer	Vol	Closing offer	Vol.	Closing offer	Vol.	liquity close
BP	750	145	—	155	—	175	—	—	—	879p
BP	800	96	7	114	12	135	—	—	—	—
BP	850	39	—	20	—	67	—	—	—	—
BP	900	20	—	43	—	23	—	—	—	149p
Gen. Caton:	140	—	—	20	4	67	—	—	—	—
Gen. Caton:	160	91g	—	20	—	15	1	—	—	—
Gen. Gold	180	81	10	29	8	34	—	—	—	177p
Gen. Gold	180	8	81	17	10	23	—	—	—	—
Courtauld	100	27	12	10	30	31g	3	—	—	125p
Courtauld	110	181g	—	21g	1	23g	7	—	—	—
Courtauld	120	11g	47	15	19	17	15	—	—	—
Courtauld	130	6	11	11	13	15g	7	—	—	—
ICI	280	48g	7	54	2	65	—	—	—	263p
ICI	240	29	17	37	1	49	—	—	—	—
ICI	260	16	11	29	5	35	—	—	—	—
Grand Met.	100	17	—	15	—	23	5	—	—	114p
Grand Met.	110	9	—	21	7	17g	5	—	—	—
Grand Met.	120	5	29	13	9	15	—	—	—	—
ICI	350	70	5	73	4	76	13	—	—	389p
ICI	380	40	15	46	34	58	30	—	—	—
ICI	390	10g	32	35	23	24g	18	—	—	215p
Land Secs.	180	35	30	36	19	48	6	—	—	—
Land Secs.	200	17	14	22	6	27	6	—	—	—
Land Secs.	220	51g	12	12	2	17	4	—	—	—
Land Secs.	120	30	5	33	—	25	5	—	—	147p
Marx & zup.	140	12	18	17	—	21	2	—	—	—
Marx & zup.	160	23g	6	8g	35	12	27	—	—	—
Shell	500	76	19	90	—	106	—	—	—	561p
Shell	550	33	15	63	7	68	5	—	—	—
Shell	600	11	43	26	4	38	5	—	—	—
TOTAL			475		367		164			

[illegible]

Table with multiple columns listing various financial instruments, companies, and their corresponding prices and values.

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CONTRACTORS WHO CARE

Rush & Tompkins
Builders & Civil Engineers

Carter gives pledge on Europe's defence

BY REGINALD DALE

PRESIDENT CARTER today gave a firm undertaking that the U.S. would use the full force of its military might, including strategic nuclear weapons, to defend Western Europe against an attack by the Warsaw Pact.

His statement to the NATO summit here was regarded as the strongest reaffirmation of the American commitment to Europe yet made by the Carter Administration.

The coupling of American strategic forces to Europe was critical, for it meant that an attack on Europe would have the same consequences as an attack on the U.S., President Carter said.

Mr. James Callaghan, the British Prime Minister, told a news conference that while he had not doubted the U.S. commitment, he was very reassured to hear it so clearly restated.

Mr. Carter's pledge was in response to increasing anxiety in Western Europe at the growing power of Soviet nuclear delivery systems, such as the Backfire bomber and the SS-20 missile, which are targeted on Europe rather than the U.S.

In a speech to the summit, Herr Schmidt, the West German Chancellor, expressed growing concern about the increasing imbalance of such medium-range weapons, particularly in Europe, since it could not be corrected

in the present round of strategic arms limitation negotiations—SALT II.

President Carter spoke on the summit's second and final day as heads of government approved the strengthening and streamlining of the alliance's conventional and nuclear forces over the next 10 years and more, under the so-called Long Term Defence Programme.

This programme was an impressive answer to the challenge facing the alliance, Mr. Carter said.

A survey of East-West relations approved by the summit forecasts that the Soviet Union will continue to give top priority to its military build-up despite growing economic problems. The study predicts that the Soviet Union will continue to increase defence spending by almost 5 per cent a year in real terms in the coming years despite a decline in its economic growth rate to little more than 3 per cent.

African views
The economic problems this causes may oblige Moscow to choose between repressive economic measures at home and seeking economic aid from the West.

The West should be prepared to offer trade and credits but only at the price of a Soviet commitment to cut its military build-up, an idea rejected from provocative activities in Europe and the

Third World, the study suggests. Mr. Callaghan warned Western governments against responding too hastily to Soviet and Cuban intervention in Africa.

Before the West rushed in with instant solutions, it must be quite sure it had correctly analysed the problem and listened to the African viewpoint, he stressed.

The Prime Minister appeared to be directing his remarks at governments like those of France and Belgium which would like to see the early creation of a pan-African peace-keeping force for Zaire. The UK is unenthusiastic about the idea.

Attempting to clarify the American position, Mr. Hodding Carter, the State Department spokesman, said the concept of stationing African forces in Zaire's Shaba province was worth considering.

The proposal will almost certainly be examined at the five-nation meeting on aid to Zaire in Paris next Monday called by the French.

Mr. Callaghan said that in the long term, Moscow's African ventures might bear too much fruit. Whether the Soviet Union made medium-term gains depended on the intelligence of the West's response. However, he did not want African peoples to be subjected to a period of enforced Marxism if that could be avoided.

FINANCIAL TIMES

Thursday June 1 1978

GKN concedes defeat in £55m bid for Sachs

BY STUART ALEXANDER

THE £55m bid by Guest Keen and Nettlefolds to raise its holding in Sachs, the West German components manufacturer, from just under 25 per cent, to 75 per cent, has failed.

The British engineering company's lawyers conceded defeat yesterday, withdrawing an application to Count Otto Lamsdorff, German Economics Minister, asking him to reverse the decision of the West German Supreme Court which blocked the merger.

Having considered the written judgment, we do not think it is worth pursuing the application any more, GKN said yesterday.

West Germany's Supreme Court had decided in February to uphold an appeal by the Cartel office against the merger because of the dominant position it would give GKN in the market for clutches and the overall financial power of the combined group. It also required GKN to show that it would be in Germany's economic interest for the merger to go ahead.

The appeal to the Minister was lodged in March, but Sachs did not formally identify itself with it. No ruling was ever made by the Minister but

it is thought there was little chance of a reversal if GKN had gone ahead with the application.

GKN still holds 24.98 per cent of the Sachs shares, which it considers a profitable investment, but the company is looking for expansion opportunities, at home, in Continental Europe and in North America, and is thought to be less interested in investment shareholdings.

It is primarily concerned with strengthening its position as a transnational components group with the resources to compete with American and Japanese manufacturers. The link with Sachs formed a major part of this strategy.

The German court ruling has raised doubts about the future of mergers between the major European component manufacturers.

GKN has high hopes of increasing its activities in the U.S. when a plant to make constant-speed joints for front-wheel-drive cars begins production next year.

Although upset by the Sachs setback, Mr. Barrie Heath, GKN chairman, said recently: "We have quite a lot of other irons in the fire."

THE LEX COLUMN

Reed displays its scars

Index rose 6.3 to 478.8

The gilt-edged market was taking its cue from sterling yesterday, which rose by 11 cents against the dollar and helped push prices of long dated stock 5 1/2 better. However, sterling was not alone. All of the major European currencies strengthened against the dollar and on a trade weighted basis sterling closed unchanged.

If anything, the background news for the gilt-edged market is looking a little bleaker. There is increasing talk of U.S. prime rates of 9 1/2 per cent by the year end and yesterday's U.S. consumer price figures confirm that inflation across the Atlantic has been running at an annual rate of 10 per cent over the last three months. Meanwhile the latest National Institute Economic Review is talking of 10 per cent inflation here in the U.K. by the last quarter of 1978, which is a far cry from the Government's 7 per cent forecast.

Reed Int.

Reed International is cutting its dividend from 13p to 8p share (where it costs £9m) after a year in which shareholders' funds have dropped by £56m to £356m including intangibles. But the overall tone of the lengthy preliminary statement is soothing, which was enough to lift the battered share price by another 6p to 128p yesterday.

The trading news is encouraging. Pre-tax profits have risen from £74.6m to £81m, thanks to a remarkably strong final quarter in the U.K. where an upturn in publishing helped to push profits for the three months up by two-fifths to £27.7m. Overseas, Reed suggests that pulp prices are bottoming out in Canada at a time when trading losses there are already being reduced.

So the group expects to be able to maintain its dividend in the current year. And the financial position now appears to be stable enough for the problems to be tackled in a methodical way without Reed having to hand forced by cash needs.

But there is still a very long way to go in a position to exercise significant influence over it. Apparently, Lounrho has convinced its auditors of the latter point too. A further aspect is that Lounrho is equity-accounting House of Fraser profits for the six months to January, instead of the exact corresponding period. Though this boosts pre-tax profits, the impact will be less favourable for the second half.

At 97p, Lounrho's shares are at their lowest for the year and yield 15 per cent. The market capitalisation is no more than £126m.

Marley
Marley's interim pre-tax profits are 11 1/2 per cent higher at £7.6m but it is clear that the upturn in the UK is taking longer to filter through than had been anticipated only a few months ago. Then, analysts were estimating that 1978 profits would rise by around a third to £21m but it now looks as if profits are only likely to recover to the 1976 level of around £18m.

In the first half, all of the profit increase has come from overseas, and is due almost entirely to a recovery in the reorganised French operation. Last year's £0.5m loss has been turned into a £0.4m profit. However, there is not much scope for a further sharp improvement here and while the important Irish subsidiary should improve its performance this year, the Canadian and South African operations are finding the going difficult.

Marley's UK profits have actually slipped slightly in the first six months. Off the roofing tile side, which contributes perhaps a third of domestic profits, deliveries were 6 per cent higher, but this has been more than offset by a £1.5m downturn in export profits, and margins on the plastic extrusion side have also been under severe pressure. The rise in consumer spending should soon start to feed through to Marley's home improvement business but as with many other UK companies, it is taking longer than expected. At 76p the shares yield 5.0 per cent.

Brezhnev accuses West of Zaire propaganda

BY OUR FOREIGN STAFF

MR. LEONID BREZHNEV, the Soviet President, responded yesterday to Western criticism of Communist involvement in Africa and fears over the Warsaw Pact arms build-up by accusing the West of "cynical interference" in Zaire and of "trying to mar the process of détente."

He told a select audience of Czech party and state officials at a rally in Hradecany Castle, Prague, that NATO circles are "trying to mar the process of détente" by "cynical interference" in Zaire and of "trying to mar the process of détente."

Mr. Brezhnev—who looked tired and delivered his speech in a halting, fashion—avoided criticism of the U.S. and Belgium by name. But he attacked "political circles which are openly trying to mar the process of détente, not only in

Europe, and to return, if not to the Cold War, then at least to a lukewarm war."

He also complained that Western leaders at the current NATO summit in Washington were "discussing plans for new warlike preparations for many years in advance" and "contrasted this with Soviet plans for disarmament."

"There does not exist any type of weapon that the Soviet Union would not be willing to limit and ban on the basis of mutual agreements with other states," he said.

However, disarmament had to take place "without damaging the security of anybody and under conditions of complete mutual agreement between those states which own the arms."

Mr. Husak responded in kind, thanking the Soviet Union for "fraternal international assistance which in 1968 saved the country from counter-revolution."

He added that "ever-closer integration with the Soviet Union and Comecon is the main line of Czechoslovakia's future economic development" and coupled his remarks with a sharp attack on the "dangerous and adventurous policies of the Chinese leadership."

The ceremony was televised, but half of Mr. Brezhnev's 30-minute speech was blacked out by a technical breakdown which unfurled rumours circulating in Prague attributed to sabotage of the television cable.

Disident Czech sources confirmed that at least 14 prominent human rights activists, including Dr. Ladislav Hejzlanek, a Protestant theologian and one of the three principal spokesmen of the Charter 77 movement, were taken into custody in a pre-dawn police raid on Tuesday, a few hours before Mr. Brezhnev's arrival.

The latest round-up appears to be the largest police action since the movement began 17 months ago.

Guarantees blamed for Meredew's fall

BY CHRISTINE MOIR

GUARANTEES to the tune of £13.7m for borrowings by other companies in the collapsed Bond Worth group were blamed yesterday for the failure of D. Meredew, the furniture-making subsidiary.

Unsecured creditors of the company of Letchworth, Garden City, Hertfordshire, were told at a liquidation meeting in London that they could expect not a penny of the £2.056m owed them.

The picture of the company's affairs outlined by Mr. Norman Sandler, the Official Receiver, reaffirmed earlier views that National Westminster Bank was unlikely to recover the £15m borrowed by the group.

Mr. Anthony Charles Brown, Meredew's managing director, blamed the cross-guarantees for

his company's collapse. The amounts owed directly by Meredew, £319,000 to preferential creditors and £883,000 by way of an overdraft to National Westminster, had proved that Meredew itself remained commercially viable.

Now the cross-guarantees meant that the bank would take all Meredew's assets valued by the Official Receiver at £3,070m. Bond Worth as a whole is said to have an assets deficiency of more than £28m, though sales of subsidiaries may reduce this level to a degree.

The century-old furniture-making business of Meredew, it was learnt, has been transferred to a new company, Meredew Furniture, when the Receiver, Peat Marwick, Mitchell has begun attempts to sell it.

ACAS faces challenge on union recognition

BY ALAN PIKE, LABOUR CORRESPONDENT

THE EXTENT to which the Advisory, Conciliation and Arbitration Service should take individual wishes into account when making union recognition recommendations will be examined in the High Court next week.

A hearing has been arranged for Wednesday in a case where the Engineering Association of Professional Engineers will seek to set aside an ACAS decision at W. H. Allen Sons and Co. a Bedford engineering company. ACAS failed to recommend recognition for the association, which is not a party to the proceedings, although a survey showed 79 per cent support among the W. H. Allen staff it wanted to organise.

The outcome of next week's hearing is likely to have considerable implications for the handling of recognition claims. In a number of decisions, ACAS has taken the view that the opinion of employees directly involved is not the only factor to consider when making its recommendations. Both established unions and the Engineering Employers Federation have argued that an outside union should not win recognition in the

industry simply by gaining majority support in one company.

One of the first cases to be affected by the decision will be the association in the water industry.

ACAS says in its report, published yesterday, that the maintenance of good industrial relations in the industry depends on continued successful working of the existing negotiating machinery and "it would appear inevitable" that this would be "damaged and possibly destroyed" if the association were recognised.

In a survey conducted by ACAS, 73 per cent of employees describing themselves as professional engineers said that the association should have a place in the negotiating machinery. In a wider survey of all 31,500 staff in water services, 55 per cent of the 52 per cent who replied opposed the association's claim.

These results led Mr. John Sampson, general secretary of the association, to say yesterday that ACAS had "come to the conclusion that the wishes of a minority of the non-involved people should carry the day."

Continued from Page 1

Petrol likely to rise

been recently involved in price-cutting. If competitors increased prices in highly competitive areas, Shell would almost certainly follow suit.

A general increase in petrol prices has been on the cards for several weeks. Several top industry executives have expressed concern about the effect of a continuing price war on company profitability.

Last month BP, the third biggest brand name in the UK, said that prices would have to rise by about 10 per cent over the next few years. The company claimed that in real terms petrol prices were now the same as in 1973 when crude oil costs were raised by 400 per cent.

Sluggish market growth, a

general over-supply of oil products and a bid by big companies to hold on to their market shares against renewed competition from smaller groups have combined to make petrol retailing particularly competitive.

In April last year, many oil companies were given Price Commission sanction to raise petrol prices by 1.5p to 2p a gallon. But the level of competition has meant that this increase has been largely lost in discount offers.

The industry is hoping that petrol sales will rise by at least 2.5 to 3 per cent this year. Companies say that, given higher prices, the petrol sector could help to improve their financial position at a time when the majority of most of the other main oil products continue to be depressed.

Petrochemical aids run into trouble

BY KEVIN DONE, CHEMICALS CORRESPONDENT

INITIATIVES to speed development of the petrochemical industry based on North Sea oil and gas appear to be foundering in joint Government-industry discussions.

Several proposals were made last winter in a confidential report from McKinsey, the management consultancy, to the petrochemical sector working party as part of the Government's industrial strategy exercise. The working party, co-ordinated by the National Economic Development Office, consists of representatives of the major chemical companies, the trade unions and the industry Department.

Mr. McKinsey recommended a national authority to develop petrochemical sites, financial incentives to the chemicals industry by low-cost gas feedstocks, possibly through a reduction in Petroleum Revenue Tax, and a commitment from the Government to build a gas-gathering pipeline system for the important natural gas liquids ethane,

propane and butane. The aim was to increase the UK share of the West European plastics market. The plastics sector is the biggest single user of base petrochemicals, which the Government and trade unions are keen to expand with new opportunities offered by North Sea oil and gas feedstocks.

The industry Department, which has prepared its response to McKinsey, has ruled out the use of Petroleum Revenue Tax as a way of offering cheaper feedstocks to the industry. It has rejected suggestions that the tax be reduced in some cases to cut the cost of gas feedstocks such as ethane for new producers. Changes in the tax, levied on North Sea operators' profits, would have little effect on feedstocks prices, the Department has told the working party.

The Department holds that the best way to reduce feedstock prices is by direct subsidy. It has the means available to do this under the Industry Act, 1972, but such a move might

fall foul of EEC legislation. More importantly, chemical producers in the UK have come out against feedstock subsidies. They are wary of Government intervention, which could be withdrawn later.

The industry is concerned that established producers would be unfairly discriminated against if new entrants were given special privileges. It has campaigned equally against artificially low feedstock prices available in the U.S. and does not wish to be seen switching sides in the international debate.

The idea of a national authority to promote petrochemical sites is unlikely to be given support. The Department of Industry is unwilling to offer guidance to foreign companies, and has knowledge of sites available. It has set up a committee to encourage local efforts to identify petrochemical sites.

particularly to U.S. companies. The ambitious plan to build a £5bn gas-gathering pipeline network in the North Sea is unlikely to go ahead.

Estimates of the natural gas and gas liquids that might be available in the UK sector of the North Sea for collection by a totally new pipeline system appear to be lower than those previously available as petrochemical feedstocks to stimulate the industry's expansion would be significantly reduced.

With falling growth, severe over capacity and weak prices generally in the European chemical industry, the climate is hardly attractive for Britain to press ahead alone with petrochemical expansion based on North Sea feedstocks.

British-based companies have said for several months that any expansion must be based on demand, not mere availability of extra feedstocks. BP in Singapore joint venture,

Weather

UK TODAY
SUNNY and hot, some thundery showers.

London, S.E., Cent. Southern England, E. Anglia, Midlands, Channel Is.
Sunny spells, hot thundery showers. Max. 28C (78F).

S.W., N.W., Central Northern England, Wales, Lakes, I. of Man
Sunny spells, hot thundery showers. Max. 23C (73F).

East, N.E. England
Coastal fog. Sunny periods. Max. 22C (72F).

Borders, Edinburgh, Dundee, Aberdeen, Moray, Firth
Sunny spells. Very warm. Max. 20C (68F).

S.W., N.E., N.W. Scotland, Glasgow, Cent. Highlands, Argyll, N. Ireland
Sunny spells. Showers. Hot inland, cooler on coasts. Max. 23C (73F).

Orkney, Shetland
Dry and hot. Max. 15C (65F).

Outlook: Hot and sunny, some thundery showers.

Forecast for June: Dry and mainly warm, but with some cool and less settled interludes, particularly later in the month. Rain-fall mostly near average.

BUSINESS CENTRES

City	Y'day	Mid-day	Y'day	Mid-day
Amsterdam	100.15	100.15	100.15	100.15
Antwerp	100.15	100.15	100.15	100.15
Bombay	100.15	100.15	100.15	100.15
Buenos Aires	100.15	100.15	100.15	100.15
Calcutta	100.15	100.15	100.15	100.15
Canton	100.15	100.15	100.15	100.15
Cebu	100.15	100.15	100.15	100.15
Hankow	100.15	100.15	100.15	100.15
Harbin	100.15	100.15	100.15	100.15
Hong Kong	100.15	100.15	100.15	100.15
Kobe	100.15	100.15	100.15	100.15
London	100.15	100.15	100.15	100.15
Lyons	100.15	100.15	100.15	100.15
Manila	100.15	100.15	100.15	100.15
Medan	100.15	100.15	100.15	100.15
Osaka	100.15	100.15	100.15	100.15
Paris	100.15	100.15	100.15	100.15
Rangoon	100.15	100.15	100.15	100.15
San Francisco	100.15	100.15	100.15	100.15
Singapore	100.15	100.15	100.15	100.15
Sourabaya	100.15	100.15	100.15	100.15
Tokyo	100.15	100.15	100.15	100.15
Yokohama	100.15	100.15	100.15	100.15

HOLIDAY RESORTS

City	Y'day	Mid-day	Y'day	Mid-day
Algeria	100.15	100.15	100.15	100.15
Algiers	100.15	100.15	100.15	100.15
Bahia	100.15	100.15	100.15	100.15
Batavia	100.15	100.15	100.15	100.15
Bombay	100.15	100.15	100.15	100.15
Buenos Aires	100.15	100.15	100.15	100.15
Calcutta	100.15	100.15	100.15	100.15
Canton	100.15	100.15	100.15	100.15
Cebu	100.15	100.15	100.15	100.15
Hankow	100.15	100.15	100.15	100.15
Harbin	100.15	100.15	100.15	100.15
Hong Kong	100.15	100.15	100.15	100.15
Kobe	100.15	100.15	100.15	100.15
London	100.15	100.15	100.15	100.15
Lyons	100.15	100.15	100.15	100.15
Manila	100.15	100.15	100.15	100.15
Medan	100.15	100.15	100.15	100.15
Osaka	100.15	100.15	100.15	100.15
Paris	100.15	100.15	100.15	100.15
Rangoon	100.15	100.15	100.15	100.15
San Francisco	100.15	100.15	100.15	100.15
Singapore	100.15	100.15	100.15	100.15
Sourabaya	100.15	100.15	100.15	100.15
Tokyo	100.15	100.15	100.15	100.15
Yokohama	100.15	100.15	100.15	100.15

THE SPACE BANK
Butlers
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20, 22, 24, 26, 28, 30, 32, 34, 36, 38, 40, 42, 44, 46, 48, 50, 52, 54, 56, 58, 60, 62, 64, 66, 68, 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, 92, 94, 96, 98, 100, 102, 104, 106, 108, 110, 112, 114, 116, 118, 120, 122, 124, 126, 128, 130, 132, 134, 136, 138, 140, 142, 144, 146, 148, 150, 152, 154, 156, 158, 160, 162, 164, 166, 168, 170, 172, 174, 176, 178, 180, 182, 184, 186, 188, 190, 192, 194, 196, 198, 200, 202, 204, 206, 208, 210, 212, 214, 216, 218, 220, 222, 224,